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D 8523A

GREEN LAW

A very profitable practice

Page 12

World News | Business Summary

Bush chooses Gates as director of the CIA

President George Bush nominated Robert Gates, his deputy national security adviser, as director of the Central Intelligence Agency (CIA). President Bush said he had "absolutely no qualms" about nominating Mr Gates, in spite of controversy over his role in the Iran/Contra affair. Page 18

Rail crash kills 42

Forty-two people were killed and 453 injured when two passenger trains crashed head-on in a rural district of western Japan. Page 4

Nepal PM resigns

Nepal's prime minister quit after being narrowly defeated by a Communist party candidate in the nation's first multi-party elections in 32 years. Page 4

Baker peace bid

James Baker, the US secretary of state, arrived in Jerusalem for talks likely to decide the fate of a proposed Middle East peace conference. Meanwhile, Soviet foreign minister Alexander Bessmertnykh returned unexpectedly to Damascus. Israel unbending, Page 4

Kuwaitis 'arrested'

A Kuwaiti opposition group claimed that five of its members had been arrested for putting up posters welcoming home people abroad since the Iraqi invasion. Page 4

Funeral protest

South Korean riot police battled and teargassed mourners at a funeral attended by more than 80,000 people mourning a student beaten to death by police.

Aid for Bangladesh

Foreign ministers of the European Community agreed to give $71m of emergency aid to victims of the devastation caused by last month's cyclone in Bangladesh.

Peace pact near

The end of Papua New Guinea's bloody confrontation with secessionist rebels on the copper-rich island of Bougainville is "within sight", Sir Michael Somare, the foreign minister, said. Page 4

Swiss press Manila

Switzerland added to mounting international pressure on the Philippines to keep its US military bases, warning of instability in Asia if Manila evicted thousands of US troops stationed there.

Italian probe

Italy's top anti-Mafia official said almost 15 per cent of local administrators, or 17,000 people, were being investigated for possible Mafia links, corruption or abuse of office.

Pinochet action

A South African union threatened "massive" demonstrations against Barlow Rand, a local company, after reports that it issued an invitation to Chilean army chief Augusto Pinochet.

Appeal court ruling

Hong Kong's appeal court averted mass disruption of the colony's legal system by overturning a ruling passed by a judge last month that 60 out of 61 magistrates had been unlawfully appointed.

200 seek asylum

Nearly 200 foreigners, mostly Turks or Turkish Kurds, have gone on hunger strike in France in protest at the government's refusal to grant them political asylum. Page 3

Paintings to stay

Ryoei Saito, the Japanese paper magnate who raise a storm by saying he wanted his Van Gogh and Renoir, bought for $82.6m and $78.1m respectively last May, burned with him when he died, admitted that he was only joking.

Congress set for Uruguay Round and Nafta vote

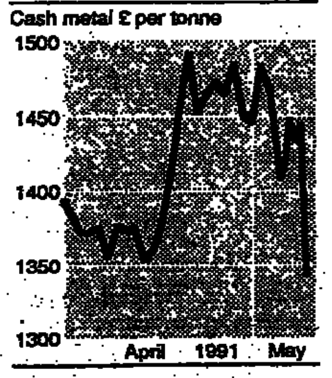
US Congress began clearing the way for a vote to allow Uruguay Round negotiations to continue and launch talks with Mexico and Canada for a North American Free Trade Agreement (Nafta).

The Senate Finance Committee, which has authority over trade matters, voted 15-3 to disapprove a motion which experts say would kill the Uruguay Round. But it sent the resolution to the Senate floor.

The resolution, introduced by Senator Ernest Hollings, a North Carolina Democrat, would deny President Bush extension of the "fast-track" negotiating authority, meaning Congress cannot amend trade agreements. Page 18

COPPER prices fell sharply in late kerb trading on the LME, with cash metal closing at £1,344, ($2,325) down £99. Dealers said the virtual end of the squeeze holding the market at artificially high levels and a new rise in stocks exerted severe downside pressure. Page 30

Copper



MARKETS: Resignation fears affected both Germany and France. Frankfurt retreated further on economic fears and resignation rumours about Mr Karl Otto Pöhl, Bundesbank president, with the DAX index closing 12.40 lower at 1,598.50 on turnover ahead from DM3bn ($1.7bn) to DM4.1bn. Paris lost 1.6 per cent on rumours that Prime Minister Michel Rocard was about to resign. The CAC 40 index fell 28.88 to 1,805.57. In Tokyo fell back on continued lack of investor interest. The Nikkei average declined for the third consecutive day, ending down 63.12 at 26,030.06. New York: sharp fall in bond prices and computer sell programs left share prices weaker in early trading. By 1.30pm the Dow Jones Industrial Average was down 31.75 at 2,892.67. Reports, Back Page, Section II

FORD of Britain, UK subsidiary of the US car manufacturer, reported an annual pre-tax loss of £274m ($488m) compared with pre-tax profits of £488m in 1989. Page 19

SPAIN may have to revalue the peseta within the exchange rate mechanism of the European Monetary System to continue its tight monetary policies, an influential Spanish research team said. The peseta has been trading at the top of its 6 per cent fluctuation limit. Page 3

US and Japanese trade officials are to resume talks on a new semiconductor trade agreement in Tokyo as a replacement for the five-year 1986 pact ending in July. Page 7

THIRD world exporters proposed that the Multi-Fibre Arrangement (MFA) be extended for 17 months after expiry on July 31. Page 7

CONSORTIUM led by Morrison-Knudsen, US construction group, and Bombardier of Canada, which owns Short Brothers of Belfast and Learjet of the US, has been designated sole bidder for the proposed $4.5bn Texas high-speed train project. Page 7

CITIZEN Watch, Japan's leading watchmaker, posted a 40.2 per cent rise in pre-tax profits to Y21.2bn ($152m). Page 21

Mrs Mandela appeals against 6-year jail term

By Patti Waldmeir in Johannesburg

MRS Winnie Mandela launched an immediate appeal yesterday after being sentenced to an unexpectedly harsh term of six years' imprisonment for her part in the kidnapping and assault of four black youths in 1988.

Legal experts said there was a fair chance the challenge against her conviction would succeed. They said Mrs Mandela, wife of the anti-apartheid leader Mr Nelson Mandela, was unlikely to face jail for at least a year, if at all.

Mr Mandela, who did not attend sentencing in the Rand Supreme Court in Johannesburg, made clear immediately that the sentence would not jeopardise talks being held on South Africa's political future.

Speaking in the Cape town of Stellenbosch where he had gone to give an address, Mr Mandela, deputy president of the African National Congress, said the sentence would have "no consequences" for negotiations between the ANC and Pretoria.

These are already under threat because of a dispute about measures to end township violence which has left more than 800 people dead this year. The ANC has warned that it will call off further talks unless the government agrees by tomorrow to ban the carrying of spears at public gatherings.

Public reaction to Mrs Mandela's sentence was muted. Only a small and relatively passive crowd greeted her when she left the court on bail after sentencing. No senior leaders of the ANC were present in the court, reflecting the organisation's desire to avoid allegations that it interfered with the proceedings.

Mr Justice Michael Stegmann criticised what he said was Mrs Mandela's "complete absence of compassion" in dealing with the four boys, who were assaulted and kept against their will in an outside room at her Soweto home. One of them, 14-year-old Stompie Seipei, was later found with his throat slit in a township ditch.

Mrs Mandela was sentenced to a year's imprisonment for being an accessory after the fact to the assaults, which occurred while she was absent from home, and to five years for planning their kidnapping. Her failure to free the boys on her return home, or to provide medical treatment for their wounds, was condemned by the judge, who said she and her two co-accused showed not "the slightest remorse".

Mr Mandela said his faith in his wife's innocence had been fully vindicated by the verdict of accessory to assault. "I believe she did not know of any assaults or that anybody was held at the back of her house against their will," he said. "I trust that soon her name will be cleared completely."

A decision on whether to allow the appeal will be taken within a month, but the appeal itself might not come before the court until a year after that – at a time which could prove more politically sensitive than now, because formal talks should have started on a new constitution.

Devoted Nelson may be chief victim of conviction, Page 4

Bundesbank chief expected to announce resignation

By David Goodhart and David Marsh in Bonn, Andrew Fisher in Frankfurt and Peter Norman in London

MR Karl Otto Pöhl, president of the Bundesbank, is expected to announce tomorrow that he intends to leave the job before his official retirement date at the end of 1995.

After weeks of speculation about his future, which has reached a new pitch in the past few days, the German central bank would only say yesterday that Mr Pöhl "regretted" the speculation about his intention to resign and that he would make a statement after the bank's central council meeting tomorrow.

There was also no official confirmation from the Finance Ministry in Bonn, from where the latest rumours of Mr Pöhl's resignation appear to have come.

The lack of a firm denial from the bank has led most analysts to assume that there is some foundation to the rumours.

Arriving for Frankfurt's annual banking dinner last night, Mr Pöhl looked cheerful but refused to comment as he entered the town hall with Mr Robin Leigh-Pemberton, governor of the Bank of England.

Mr Pöhl, 61, has let it be known in the past that he would probably leave for a job in business or in the international financial establishment before completing his second eight-year term.

But he had been reluctant to leave before securing compromises acceptable to the Bundesbank on European Monetary Union and on the bank's own restructuring.

Last weekend's meeting of European Community finance ministers, which agreed to postpone the establishment of a European central bank until 1996 or 1997, and the emerging compromise on Bundesbank restructuring, may have persuaded Mr Pöhl that he could now leave with a clear conscience.

German bankers expect that Mr Pöhl will announce his resignation, after the Bundesbank council meeting tomorrow, according to a survey published yesterday. But opinion was divided over whether he would step down immediately.

A survey of 24 leading German banks published yesterday by MMS International, the financial research company, found that 62 per cent of those polled thought Mr Pöhl would tomorrow announce his resignation against 38 per cent expecting him to stay.

Of those expecting him to resign, 53 per cent thought he would announce his leaving date rather than resign with immediate effect.

If he does announce his early retirement he is almost certain to set a firm date, which could be as early as the end of this year. His most likely successor would be Mr Hans Tietmeyer, a Bundesbank board member and former state secretary in the Finance Ministry, and Chancellor Helmut Kohl's personal adviser on German monetary union.

The appointment of Mr Tietmeyer, a man personally and politically close to the chancellor, would be interpreted by some as a dilution of the central bank's independence.

Mr Pöhl, a Social Democrat appointed to head the bank by a Social Democrat government in 1980, took a tough anti-inflationary line in his first years in office partly to combat similar speculation about the bank's independence.

He subsequently established a reputation as an able, albeit sometimes arrogant, conciliator between the monetary policy hawks and doves on the Bundesbank board.

If he does leave early, Mr Pöhl is almost certain to cite personal reasons. But disagreements with Bonn over aspects of European and German monetary union and the recent dispute over Bundesbank reorganisation will also have played a role.

Mr Pöhl has not forgiven Mr Kohl for offering speedy German monetary union without consulting him first and recently described the early stages of economic and monetary union as a "disaster".

He later regretted having used such a term in public and some analysts saw the outburst as evidence that he had lost his once sure touch.

The D-Mark did not react strongly yesterday to the latest speculation about Mr Pöhl's resignation.

Now may be the best time to jump, Page 16

Karl Otto Pöhl: a position in the private sector beckons

Mystery buyer pays £240m for a stake in ICI

By Clive Cookson in London

A MYSTERY buyer paid £240m ($415m) yesterday to take at least a 2½ per cent stake in Imperial Chemical Industries, Britain's largest manufacturing company.

The London market swirled with rumours as the broker Smith New Court bid for 17.5m ICI shares at 1,157p – a 6 per cent premium on yesterday's opening price – on behalf of an unnamed "non-institutional client".

Just two minutes before the market closed, 20m ICI shares changed hands at 1,194p. It is believed this deal represented Smith New Court passing the ICI shares on to its client.

Some analysts believed that the buyer was a predator such as Hanson taking the first step towards an eventual bid for the company.

A full-scale takeover would probably require a bid of more than £16 a share – the peak reached by ICI shares in 1987 before the worldwide chemicals industry moved into its cyclical downturn. It would cost at least £10bn.

Other dealers said the buyer was more likely to be another international chemical company wanting to pursue joint ventures with ICI or to buy one of its businesses such as ICI Pharmaceuticals.

According to some market rumours, the buyer was a large German company – either one of the chemical groups, BASF and Hoechst, or the steelmaker Hoesch. But all three companies denied that they were building up stakes in ICI.

Mr Martin Taylor, vice-chairman of Hanson, issued his company's standard reply when linked with a possible takeover target: "We never comment on market speculation or rumours."

A takeover of ICI would face intense political opposition. Its influence diminished during the Thatcher years but as Britain's largest manufacturer it still carries considerable weight. Page 19

Smith New Court refused to comment on the nationality or identity of the buyer, beyond saying: "We have been authorised by the client to say that it is buying [the shares] for investment purposes."

Stock Exchange rules require any buyer of more than 3 per cent of a company's stock to reveal its identity within 48 hours and to say whether it intends to extend its interest.

If the holding remains below 3 per cent, ICI can still force the buyer to identify itself by issuing what is known as a "212 notice". But this procedure could take several weeks.

Last night, ICI executives still had no idea who had been building up a stake in the company. ICI said it had not been discussing with any other company the acquisition of a possible stake in the group.

It said it was unlikely that another member of the club of international chemical companies – which maintain friendly relations with one another – would make an unannounced raid on ICI shares.

ICI is taking seriously the possibility that the buyer is a predator and is beginning to prepare its defences against a mega-bid. ICI shares rose 57p on the day, closing at 1,158p.

Lex, Page 18

Central and Hispano merge to form Spain's largest bank

By Peter Bruce in Madrid

BANCO Central and Banco Hispano Americano, two of Spain's largest commercial banks, are to merge, creating the country's biggest bank with a combined stock market value of Pta800bn ($7.54bn), combined assets of $85bn, and with a potentially heavy French and German presence on the new board.

The two banks said they had agreed on a "merger by absorption" in which Central will absorb Hispano by offering five of its shares for six in Hispano.

The move was sparked by the announcement two weeks ago that the government intended to merge all its financial institutions into one large bank to compete "beligerently" in the markets. The merger met little enthusiasm from analysts in Madrid.

"There is nothing good to say about this merger," said one senior Madrid broker, who did not wish to be named. "Hispano has just got itself out of one hole and is jumping into another. At least, though, it is a chance to put some fresh management into Central."

Nevertheless, the Spanish finance minister, Mr Carlos Solchaga, said he was pleased with the move. The government had hoped the creation of Corporacion Bancaria de Espana (CBE), its merged public bank which will be led by Banco Exterior, would encourage others to do likewise.

Until overtaken by the creation of Banco Central Hispano Americano yesterday, the CBE was poised to become the biggest bank in the country.

Madrid has been concerned that Spanish banks will remain too small to compete effectively in the European Community after the advent of the single market.

Its efforts to encourage mergers in the late 1980s resulted only in the marriage of Banco de Bilbao and Banco de Vizcaya into Banco Bilbao Vizcaya and the controversial failure of Banco Central and Banesto to do likewise.

According to the agreement announced yesterday, Mr Alfonso Escamez, Central's 76 year old president, will run the new bank until the second half of next year. Thereafter, the presidency will pass to Mr Jose Maria Amusategui, who became president of Hispano last year.

Central and Hispano each control large regional banking groups and, Central particularly, has the largest industrial portfolio of any of the Spanish banks.

Its industrial group, which includes Cepsa, the oil refiner and Dragados, the biggest constructor in Spain, is said to account for about 3 per cent of Spanish GDP, outstripping the newly created Corporacion Industrial of Banesto.

Hispano has a 10 per cent stake held by Commerzbank of Germany while Central has invited three friendly French shareholders onto its board in the last two years. Between them UAP, the French insurance group, the Bouygues construction group and ELF now hold about 12 per cent of Central.

Background, Page 21

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France reopens the great nuclear waste storage debate

Michel Rocard, the French prime minister, was obliged 15 months ago to impose a moratorium on geological tests for nuclear waste storage sites because of violent local opposition, but the search is on once again. Page 3

MARKETS

STERLING
New York lunchtime: $1.7475
London: $1.7365 (1.732); DM2.9875 (2.9675); FFr10.1075 (10.055); SFr2.49 (2.5); Y240.25 (241.5); £ index 91.8 (91.8)

GOLD
New York: Comex Jun $357.2 (359.8)
London: $357.8 (357.25)

N SEA OIL (Argus)
Brent Jul $19.3 (19.37)

Chief price changes yesterday: Page 19

DOLLAR
New York lunchtime: DM1.7005; FFr5.746; SFr1.4265; Y137.65
London: DM1.7015 (1.714); FFr5.7825 (5.805); SFr1.432 (1.443); Y138.2 (139.4); $ index 65.8 (66.2)
Tokyo close: Y139.2

US lunchtime rates
Fed Funds 5⅞%
3-mo Treasury Bills: yield: 5.639
Long Bond: 97⅞; yield: 8.359%

STOCK INDICES
FT-SE 100: 2463.7 (−22.9)
FT Ordinary: 1925.3 (−17.3)
FT-A All-Share: 1,193.31 (−0.8%)
New York LUNCHTIME DJ Ind. Av. 2,887.3 (−37.12)
S&P Comp 372 (−4.76)
Tokyo: Nikkei 26,030.06 (−63.12)

LONDON MONEY
3-month interbank: closing 11 15/32% (11 15/32)
LIFFE long gilt future: Jun 90⅞ (91⅛)

Deadlock on next Yugoslav president

YUGOSLAVIA'S collective state presidency yesterday appeared to be heading for deadlock over the election of its new leader, agencies report from Belgrade.

Mr Stipe Mesic, a Croat, is supposed to take over as first among equals from Mr Borisav Jovic, a Serb, whose one-year term expires today.

But the republics of Serbia and Montenegro are expected to oppose his appointment as federal president. Election of *the titular head of state* must be unanimous.

The presidency, the country's hightest constitutional body, is based on a rotation system devised by the late President Josip Brod Tito. It consists of representatives from the six republics and two provinces, and it also acts as commander-in-chief of the army.

The chairman of the presidency is responsible for calling meetings of the body, and may act in the name of the whole group if he deems that there is not time to gather the other members together.

The president can theoretically call in the federal army to halt violence, or give a repub*lic the freedom to react as its* chooses.

If Mr Mesic, a 56-year-old lawyer is not elected, it will create an unprecedented situation, paralysing the presidency.

"If I am not elected. . . it would create a constitutional crisis in which unconstitutional solutions should be applied. . . in that case Croatia would act in one and the only way, it would secede from Yugoslavia," said Mr Mesic.

Correction

Hungarian investments

In the table listing top investments in Hungary published in Tuesday's Financial Times, the deal and total investment columns should *have been in $m, not £m.*

Soviet government and republics in battle over anti-crisis plan

By John Lloyd in Moscow

THE Soviet Union's central government and representatives of its increasingly independent republics were yesterday locked in battle over a plan to stave off the country's economic crisis.

Talks concerning the divi*sion of property, powers and* debt, are taking place at a government dacha outside Moscow, and a meeting of the cabinet of ministers, expected to be chaired by President Mikhail Gorbachev, will be held today to review progress.

Mr Grigory Revenko, one of the president's advisers, said yesterday that those republics not wishing to sign a new union treaty would be free to leave the Soviet Union, but only after a five-year transitional period.

He said that transfer of *union property to the republics* should not be carried through until the enterprises concerned had been given more freedom.

The anti-crisis plan, which has still not been officially published, envisages immediate privatisation of small enterprises, but leaves medium and large scale privatisation to a more distant future.

The independent news *agency Interfax reported that* Mr Vladimir Shcherbakov, a deputy prime minister, had told the republican leaders that "the transfer of property from central control to republican jurisdiction would mean nothing but a change of labels, whereas what was really needed was the freedom of enterprises."

According to Interfax, only Estonia and Georgia among the 15 union republics are not taking part in the talks. Mr Revenko admitted, however, that several republics had sent *only observers. But these* reported back to their governments, who then made their views plain.

"All the republics are very interested in the economic agreements," he said.

At the same time, he suggested that the union government could insist on a transfer to hard currency trading for those republics unwill*ing to sign an agreement,* even during the five years of negotiations on independence.

The Soviet Union's two main republics, Russia and the Ukraine, both have serious reservations about the *anti-crisis* plan, under whose aegis the economic agreement will be signed. Russia's leaders called for the republics to have control of banking and foreign trade.

Mr Vitold Fokin, the Ukraine's prime minister, has said he will demand that all enterprises be transferred to *Ukrainian control, along* with financial and foreign trade matters.

The present discussions have also centred on payment of foreign debt, an issue which the republics link to sharing the national gold and diamond reserves.

The republican leaders have agreed to set up a commission to examine the problem of *debt, and the republics' shares* in the diamond and gold reserves, to report by July.

● Total Soviet production fell by 5.4 per cent last month compared with April 1990, according to the state statistical committee. Coal output dropped by 20 per cent in the same period, due to the miners' strike, then at its height.

Oil production was down 9 per cent, timber 13 per cent and non-ferrous metal products 18 per cent in April, according to the committee.

In the consumer *sector*, over the period January to April this year, production of meat went down by 13 per cent.

Special militia forces blocked demonstrators on their way to the centre of Kiev yesterday. Protestors were demanding freedom for Ivan Khmara, a member of the Ukranian parliament, on the *first day of his* trial.

EUROPE IN BRIEF

Irish MPs call for TV enquiry

Opposition politicians in the Irish parliament have called for a full judicial enquiry into allegations made in a British television programme concerning the activities of companies controlled by Mr Larry Goodman, Ireland's and Europe's biggest beef processor and exporter, writes Kieran Cooke in Dublin.

Mr Goodman has described the allegations made against his companies in a World in Action programme as "outrageous".

Mr Austin Deasy, spokesman on agriculture for the main opposition Fine Gael party, said Mr Haughey's government had refused to clear up many outstanding *matters surrounding the* Goodman companies.

Last year the privately held Goodman group — once seen as one of Ireland's most dynamic companies, disclosed it owed more than I£450m to a group of 33 Irish and international banks. The banks are soon to give final approval to a financial restructuring package.

Berlin offices raided for fraud

Investigators raided offices and apartments in Berlin and western Germany in the latest probe into former East German Communist foreign trade overlord, Mr Alexander Schalck-Golodkowski, Reuter reports from Berlin.

Justice sources said searches were to check suspected fraud and laundering of Communist party funds in the west.

The raids came after west German politicians expressed outrage that former East Germany's secretive hard *currency earner is still at* large.

The opposition Social Democrats (SPD) said they would force a parliamentary inquiry into Mr Schalck's shadowy commercial empire, known as KoKo, which controlled a network of firms and more than 100 bank accounts in the west.

Polish miners stage strike

Miners at Poland's biggest copper mine went on strike yesterday to demand a 100 per cent pay increase, a mine spokesman said, Reuter reports from Warsaw.

The spokesman for the KGHM mine combine said *strikers at the* Rudna pit near Lubin in western Poland, which employs 5,000 people, began negotiations with the management after declaring an indefinite stoppage.

Poland exported 177,000 tonnes of copper, one of its main export items, last year.

France to probe party funding

The French National Assembly agreed to a Socialist proposal *that political parties'* finances should be investigated, Reuter reports from Paris.

The socialists proposed a probe into all parties' finances after the conservative opposition accused them of covering up a scandal in which they were alleged to have blocked an inquiry into a company suspected of illegally providing funds for President Francois Mitterrand's election campaign.

Henri Nallet: probe proposal accepted

Mr Henri Nallet, Socialist justice minister has not denied that the Socialist party used illegal funding methods but *has said all parties were guilty* of such practices.

Jewish exodus to Germany up

Germany may have to take in well over 100,000 Soviet Jews in the next few years, far more than originally estimated, a state cabinet minister said, Reuter reports from Düsseldorf.

Bonn thought it would have to receive only 10,000 Soviet Jews, but latest estimates put the total far higher, possibly even at several hundred thousands, said Mr Hermann Heinemann, social minister in the large North Rhine-Westphalia state.

Germany quietly tightened *rules for Soviet Jewish* immigrants this month by dropping a temporary ban on deporting those who have arrived illegally.

Some 5,000 Soviet Jews have arrived in Germany after East Germany opened its border to them last May.

Albanians in internal exile

A leading Albanian human rights activist said that most political prisoners had been released from jail but there were still thousands of people in internal exile, Reuter reports from Vienna.

Mr Arben Puto, chairman of the Albanian Forum for the Defence of Human Rights, told a news conference in Vienna that around 1,000 political prisoners had been let out of jails since the middle of last year, and only 40 remained behind bars.

"But there are thousands of people who were sent into internal exile. Nobody really knows how many," he said.

Train strike hits France

Train traffic across France was severely disrupted yesterday as thousands of rail workers went on strike, demanding assurances that a special retirement plan will continue, AP reports from Paris.

Officials of the national railroad said service was halted almost completely on some lines in the Paris suburbs, while traffic on most long-distance routes was reduced by 50 to 75 per cent.

The strike involved members of two major unions.

'Optimism' at chemical arms talks

ARMS negotiators, spurred by Monday's promise by the US to renounce the use of chemical weapons, yesterday resumed efforts in Geneva to rid the world of toxic warfare, Reuter reports.

"The US concessions are very important and should enable us to make significant progress in the current session," said one diplomat. President George Bush said on Monday that the US renounced their use and would destroy its chemical arsenal within 10 years once an international treaty was negotiated.

However, other sources said hurdles remained on the path to a binding treaty from the 40-nation Conference on Disarmament, particularly over ensuring that signatory countries do not cheat.

The annual disarmament conference is due to last until June 27 and covers a range of weapons of mass destruction. The talks will discuss chemical weapons tomorrow when the US delegation is expected to outline its initiative.

Previous US insistence on keeping a *small* inventory of chemical weapons for possible retaliatory use had been a stumbling block to treaty negotiations.

The use of chemical weapons, dubbed "the poor man's atom bomb", was banned in 1925 but there have been several violations since. Iraq threatened to wage chemical warfare during the Gulf War but did not, possibly out of fear of reprisals in kind after Washington refused to rule out that possibility.

Conference sources say the *two main problems facing* negotiators are how to ensure states comply with a treaty and how to eliminate stocks without damaging the environment.

Some nations feel that so-called "challenge inspections," devised to verify compliance, would be too intrusive and could compromise indus*trial secrets.*

The Soviet Union does not have facilities to destroy stocks without endangering the environment.

"Building facilities to destroy chemical weapons is 10 times more expensive than producing such weapons," said one conference participant.

In addition to the United States and Soviet Union, experts believe at least 15 other countries have chemical weapons: Burma, China, Egypt, Ethiopia, India, Iran, Iraq, *Israel, Libya*, North Korea, Pakistan, South Korea, Syria, Taiwan and Vietnam.

Resignation rumours sweep Paris

By Ian Davidson in Paris

UNUSUALLY insistent rumours that Mr Michel Rocard was about to give up the French premiership swept Paris yesterday and led to a 1.5 per cent dip on the French Bourse. The presidential offices disclaimed all knowledge of any imminent change of government. An official said: "We do not know anything about it; but we are surprised at the violence of the rumours".

The prime minister's office *discounted the rumours on the* grounds they merely repeated speculation which has been rife ever since Mr Michel Rocard was appointed Prime Minister three years ago.

Some substantive support for the rumours came from Mr Jean Auroux, leader of the Socialist group in the National Assembly, who said: "Political discussions are under way, but we do not know if they will conclude". But yesterday afternoon Mr Rocard appeared to be discourging the rumours when he told the Socialist group in the Senate that his government was working "over the long term".

Previous rumours of the departure of Mr Rocard have largely been based on the ambivalence of the personal relationship between him and President Mitterrand. Mr Rocard has in the past been poised to challenge Mr Mitterrand's leadership, and today appears much the strongest Socialist party candidate to succeed him in the next Presidential elections.

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Revaluation of peseta in ERM proposed

By Peter Bruce in Madrid

SPAIN MAY have to revalue the peseta in the exchange rate mechanism of the European Monetary System in order to continue its tight monetary policies while easing pressure on the currency, an influential Spanish research team said yesterday.

The peseta has been trading at the top of its 6 per cent fluctuation limit in the mechanism against the French franc for most of this year, forcing the central bank to intervene constantly. It has drawn fire from Paris, which says it cannot cut interest rates to boost the French economy without breaking the franc's ERM limits against the peseta.

The research department of Spain's biggest bank, Banco Bilbao Vizcaya (BBV), warned yesterday that money supply and credit growth were breaking targets, "obliging the Bank of Spain to maintain monetary discipline, although EMS pressures could force some reduction interest rates in the next few months."

Nevertheless, it said, "the Bank (of Spain) could hold to its strict policies and force the peseta into a narrow fluctuation band in the ERM along with the other countries, including Britain, if it slightly revalued its central ERM parities upwards."

The peseta and sterling trade in 6 per cent bands in the ERM, while other currencies, including the franc, are limited to movements of just 2.25 per cent against each other.

The BBV's suggestion is the first time the possibility of a peseta revaluation has been raised publicly this year. However, several senior private sector economists and bankers have been urging one on the government.

In March, the central bank cut its official intervention rate by one point to 13.5 per cent, but the peseta barely moved from its ceiling. Madrid later lifted the last of its capital controls to encourage an outflow of funds but this too has had little effect, largely because Spain's real interest rates remain the highest in the EC.

In its regular economic commentary, the BBV research team also said that the economy was beginning to show signs of expansion after a stiff, officially imposed, credit squeeze last year. New growth now, the bank warned "would considerably shorten the period of economic adjustment (cooling) envisaged by the authorities."

The main element of good news in the economy was that consumer prices appeared to have stabilised. Figures published yesterday showed prices rising just 0.2 per cent in April, which holds annualised infla*tion at 5.9 per cent for the third* month in succession.

Banks merge, Page 21

French to make cleaner job of nuclear waste

By William Dawkins in Paris

FRANCE, which depends more than any other country on nuclear energy, is today due to relaunch long-stalled attempts to find a deep-storage site for waste generated by its 57 reactors.

Mr Michel Rocard, the prime minister, was obliged 15 months ago to impose a moratorium on geological tests for deep storage because of violent local opposition at three of the four sites chosen, compounded by what officials now admit was failure to consult the public. The discovery last year of unusually high radioactivity at a former surface storage site has since given the normally disorganised Green Party something of a boost.

This time the government is hoping to avoid previous mistakes by asking parliament to decide, rather than simply issuing instructions to the CEA atomic energy authority.

Today's weekly cabinet meeting is due to *adopt plans to restart geological* tests on two as yet undeclared sites. Parliament will vote again on the site of the final dump in 10 to 15 years' time in the light of the test results. In the meantime, high-level waste would continue to be stored above ground at La Hague in northern Britanny and Marcoule in Provence.

The new test sites will be chosen on the advice of an independent expert, likely to be Mr Christian Bataille, the Socialist MP from Nord-Pas-de-Calais, the area which embraces France's largest nuclear power station, near the coastal town of Gravelines. He is the author of an all-party parliamentary report recommending that deep storage is the only option.

As a recognition of their contribution to this national problem, the communes chosen for testing would be paid around FFr50m (£5m) annually, half the local tax revenues they would get from an average nuclear power station. Andra, the state-controlled nuclear waste management agency would meanwhile be made independent from the CEA to soothe public suspicions that it was under the nuclear energy authority's total control.

Fortified by Mr Bataille's report, the government is keen to forge ahead as soon as possible because France's huge nuclear energy industry – supplying more than 80 per cent of the country's electricity – is clearly incomplete without proper waste storage.

"If anything, it's a moral problem. The government believes that we can't leave it to future generations to decide what to do with the nuclear waste produced by this generation," says Mr Claude Mandil, energy director general for the industry ministry. Even if all goes smoothly in the debate, it will be up to 15 years before construction of a FFr10bn deep storage site can even begin.

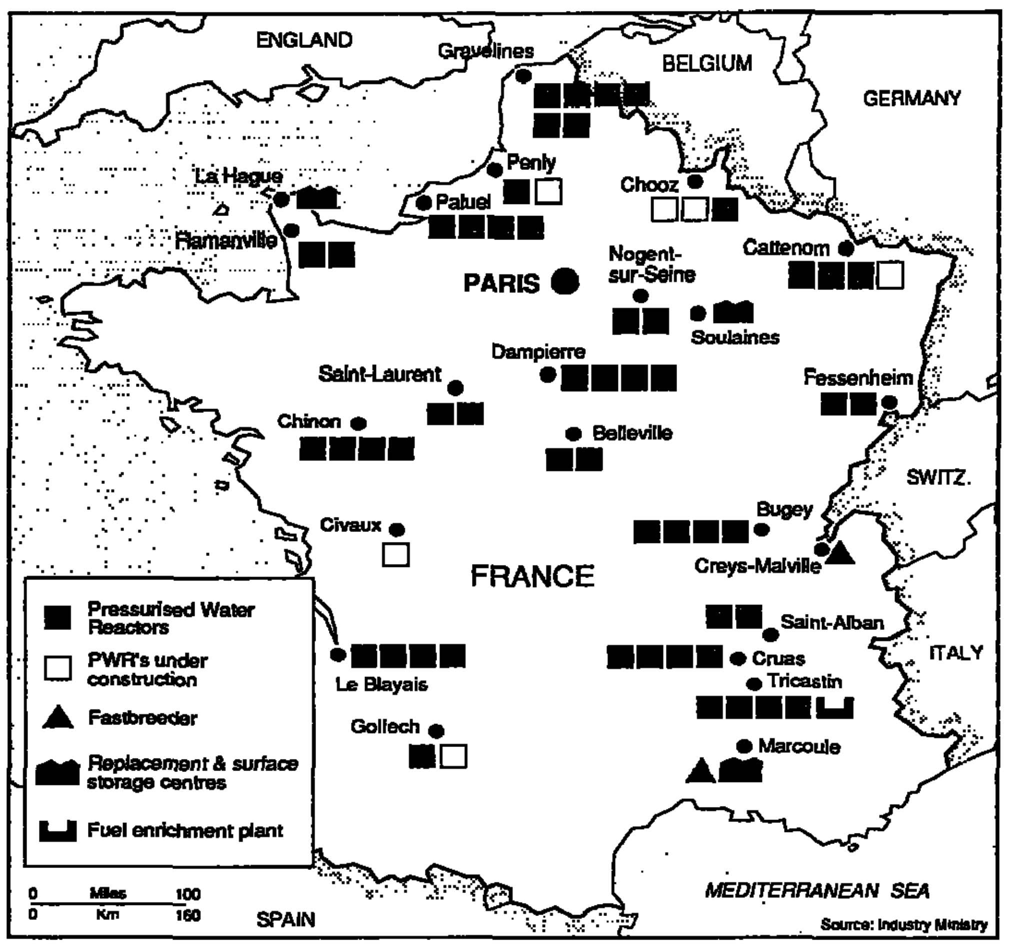
For all the general public's nuclear sensitivities, industry officials believe the political establishment continues to support nuclear energy – and therefore deep storage – strongly enough to give the plan a majority when parliament debates it *next month.*

The main source of opposition will probably be from a handful of environmentally sensitive MPs in the ruling Socialist party, backed by those independents sensitive to the lobbying of the Green Party, which has no national MPs but which took 11 per cent of the vote in the last European elections.

The government has gone to great lengths to prepare public opinion for this second attempt to solve the storage problem. One result has been a beginners' guide* to nuclear energy written by Mr Mandil, in which technical explanation is leavened with satirical comment from Plantu, the leading French cartoonist.

One cartoon, referring to fuss generated last year by the discovery of traces of benzene in Perrier water, shows an alarmed nuclear worker clad in safety gear, standing in front of a leaking pipe as he tells his boss: "Chef – we have found traces of Perrier."

L'Energie Nucléaire en Questions, FFr49 from Le Cherche Midi Editeur, 23 Rue du Cherche-Midi, 75006 Paris



Madrid aims to stem North African tide

By Peter Bruce

SPAIN is requiring Moroccans, Algerians, Tunisians and Mauritanians entering the country to have visas from today in an effort to stem the tide of North African migrant labourers entering the European Community.

More than 1m Moroccans passed through Spain last year, most of them on their way to work, legally, in France and northern Europe. But the Spanish have come under great pressure to help strengthen EC efforts to prevent illegal migration.

On average, the populations of the Maghreb countries are growing twice as fast as their economies and European leaders have begun to worry seriously about heavy immigration sparking political conflict in their own countries.

EC members have to agree to a Community-wide visa regime before the advent of the single market in 18 months time. Western diplomats in Madrid say the Spanish decision to impose visas now is a measure of the government's concern that any domestic conflicts in North Africa could quickly swell the number of illegal arrivals.

Madrid has no firm idea of how many of the 450,000 foreigners thought to be living in Spain are there illegally but racially inspired clashes have already occurred in Catalonia. In the run-up to the imposition of visas, officials say thousands of Moroccans have tried to enter the country.

The Government is planning to regularise the status of those North Africans already in the country without residence or work permits in an effort to cool tensions with Maghreb capitals. Algeria has already said it will immediately require visas from visiting Spaniards but Morocco and Tunisia are unlikely to retaliate for fear of frightening away tourists.

Work on a common EC visa regime will get harder though, if next year Madrid's EC partners insist on requiring visas from Latin Americans. That would force Madrid into a confrontation with its former colonies.

Asylum seekers in French protest

By Ian Davidson in Paris

NEARLY 200 foreigners have gone on hunger strike in France, in protest at the government's refusal to grant them political asylum.

The action has spread rapidly in several cities. Most protesters are Turks or Turkish Kurds, although there are Angolans, Zaireans, Gambians and Malians, too.

The scale of the protest is starting to embarrass the authorities. Mr Philippe Marchand, the interior minister, yesterday promised to re-examine the hunger strikers' cases individually, on humanitarian grounds, but he made clear there could be no wholesale reversal of the restrictions on political asylum.

Most of the Kurds from Turkey, he said, had come for economic reasons.

France has recently tightened its asylum rules, which had become an indirect loophole in immigration controls. Until a year ago, investigation and processing of political asylum applications could take several years, during which time applicants were granted work permits. At the end of the bureaucratic process, 80-90 per cent of applications were rejected. However, by then the applicants were effectively settled in France, and most managed to remain secretly.

The alarm bells started ringing in 1989, when the number of asylum demands in France jumped in one year from 34,000 to 61,000. The government responded by speeding up the investigation process; and instead of granting work permits, it started to provide a minimum financial allowance.

The first result is that the time lag between application and (in most cases) rejection has been shortened to a few months. The second is that there has been a steep increase in the number of foreigners whose asylum application has been rejected (estimated at around 100,000) who are now due for deportation.

No one knows the total figure of illegal aliens, but an independent survey published yesterday estimated there are 217,000-244,000 in the Paris region alone.

Portuguese daily goes private today

By Patrick Blum in Lisbon

PORTUGAL'S last state-owned daily newspaper and one of its oldest will be privatised today through a flotation on the Lisbon stock exchange.

Diario de Noticias, established in 1864, was nationalised with much of the Portuguese press in March 1975 and rapidly encountered serious financial troubles from which it only recovered in 1987. Since then [illegible] classified sales have produced steady profits. With daily sales of about 60,000, mostly in Lisbon and the south of the country, its circulation puts it among the country's top four newspapers.

Diario de Noticias is widely respected as a serious if somewhat dull newspaper though it has been modernising its look with new technology.

The sale of 2m shares is divided into four tranches: 200,000 shares are reserved for employees, 500,000 shares for journalist co-operatives, another 500,000 shares for companies with majority shareholdings in the media, and the remaining 800,000 shares for general investors. Foreigners cannot buy more than 10 per cent of the total shareholding. The sale is expected to raise above Esc 8bn (£30m).

Devoted Nelson may be chief victim of Winnie's conviction

Nothing has proved more painful since Mandela's release 15 months ago from a life sentence, writes Patti Waldmeir

OF ALL the difficulties which Nelson Mandela has faced since he left jail 15 months ago, none has proved so manifestly painful as to see his wife branded a liar and a criminal and sentenced to six years' imprisonment.

That may well prove the most important implication of the conviction of Mrs Winnie Mandela, who was yesterday sentenced to five years for kidnapping and one year as accessory to the assaults of four young men in Soweto in 1988.

Mr Mandela, 72 years old, seemed to crumple after the verdict was read on Monday. No longer the erect and dignified leader, he looked like the old man that he is: a septuagenarian who follows a schedule which would lay low a man decades younger; a husband stricken by guilt for the sins of the wife he left behind 27 years ago, when he was sentenced to life behind bars.

The conviction – which legal experts say could yet be overturned on appeal – will provoke no direct rupture between the African National Congress (ANC) and the Government. Mr Mandela said as much, immediately on hearing the sentence.

The issue could exacerbate already existing divisions within the ANC. Many ANC leaders feel that, as a convicted criminal, Mrs Mandela must resign immediately from her ANC posts – among others, she is head of social welfare – pending an appeal which may not be heard before a year has passed.

Indeed, long before Mrs Mandela's three-month trial in the Rand Supreme Court began, she was found guilty by the tough and ready justice of some of her peers in Soweto. Her Soweto home was burnt down four years ago, in protest at the activities of her bodyguard, the notorious "Mandela United Football Club". In that instance, members of the club were accused of raping a teenaged girl. The crimes for which

Mr Mandela could find himself head of state in the first post-apartheid government with a first lady who is serving a prison sentence

Mrs Mandela stood trial also involved the "club".

Earlier this month, in a secret ballot for the leadership of the ANC Women's League, Mrs Mandela – dubbed "Mother of the Nation" for her opposition to apartheid – was heavily defeated. The decision must have been influenced by the chilling evidence being heard simultaneously in the Rand Supreme Court.

Even more recent tests of Mrs Mandela's popular support have also proved unconvincing: the crowd which greeted her on the steps of the court building yesterday numbered only a few hundred, and many of those were passers-by. The odd cry of "Winnie we love you" was heard, proclaimed all the more loudly because the chorus was so small.

But she is not without a power base in the ANC, and especially in its ultra-radical Youth League, where her designer battle fatigues and immoderate statements prove wildly popular. A speech of hers in 1986 giving her backing to the barbaric practice of "necklace" killing, outraged whites and conservative blacks – but gave her an immediate status within radical ranks.

Mr Chris Hani, chief of staff of the ANC military wing and a noted militant, promised recently that an ANC government would release her from jail if the Pretoria authorities imprisoned her. One of the ANC's most senior leaders recently predicted privately that a conviction would virtually assure Mrs Mandela election to the organisation's national executive committee when a poll is held in July. Young radicals are likely to see her guilty verdict as another incident of apartheid at work, a further attempt to victimise a woman banned, detained and harassed by Pretoria for 30 years.

But her most loyal supporter is undoubtedly the husband who remains devotedly convinced of her innocence. The three-month trial has taken its toll of him, at a time when township violence is putting him under an intolerable strain – many township blacks blame him for failing to protect them – and when his relations with the National Party government are threatened.

If there is a groundswell of support for the ultra-radical Mrs Mandela, this will make Mr Mandela's task of seeking compromise with the government all the more difficult. His efforts at developing an integrated South Africa, at a time when black suspicion of whites is running high because of allegations that right-wing whites, including police, have incited township unrest, may have been damaged by the trial.

Mr Mandela's health could well suffer as the case drags on to appeal and Mrs Mandela labours under the various condemnations of Mr Justice Michael Stegmann: that she was "a calm, composed, deliberate and unblushing liar"; that she masterminded the kidnapping of four youths, one of whom was later found with his throat slit in a Soweto ditch; that she knew they had been assaulted but wilfully ignored their plight; that she betrayed her duties as a community leader and displayed a total lack of compassion.

In the most extreme case, Mr Mandela could find himself head of state in the first post-apartheid government with a first lady who is serving a prison sentence. It is scarcely a happy prospect for him, or for the new South Africa.

Japan shocked as 42 die in rail crash

By Stefan Wagstyl in Tokyo

FORTY-TWO people were killed and 453 injured yesterday in Japan's worst railway accident since 1963.

The accident shocked Japanese, who place the highest confidence in the reliability of their railway network, including the famed bullet trains. Mr Toshiki Kaifu, the Japanese prime minister, expressed his regret and has promised an immediate investigation.

Two passenger trains crashed head-on in the collision which occurred on a single-track line in a rural district of western Japan. One train was crowded with more than 500 passengers, some standing in the aisles, travelling to a local pottery festival. The two trains were meant to pass each other at a passing point, but the crowded train was late leaving its last station.

The crowded train was being operated by West Japan Railway, a division of the state-owned Japan Railway Corporation. The other train was being run by Shigaraki Kogen Railway, a private local company, which also owns the line on which the accident occurred.

Shigaraki Kogen normally runs 18 round-trips daily on the line but this was increased to 27 during the festival, including two trains run by West Japan Railway.

The investigation into the crash will centre on whether an automatic signalling system on the line was working properly and whether railway staff gave the required manual signals.

Algerian party drops candidates

Algeria's ruling National Liberation Front (FLN), facing multi-party general elections for the first time ever, has dropped more than 80 per cent of members of parliament from its list of candidates, Reuter reports from Algiers.

Many prominent figures from the FLN's socialist past have disappeared from its list of candidates, reflecting its rapid transformation from the country's sole political party to a reformist party competing with more than 40 other groupings.

UN Cambodia team

A United Nations military mission arrived in Phnom Penh yesterday to observe a ceasefire from the Cambodian government side after guerrilla armies pledged to keep to the truce, Reuter reports from Phnom Penh. The official SPK news agency said the three-man team would tour areas of western and southern Cambodia where heavy fighting was reported up to the voluntary May 1 ceasefire.

Aid for Indonesia

Indonesia's aid donors are likely to offer the same amount this fiscal year as last year, the chairman of its donor consortium said yesterday, AP-DJ reports from Jakarta. Mr Jan Pronk, a minister in the Dutch government, told reporters after a meeting with President Suharto that the Inter-governmental Group on Indonesia is satisfied with the way Jakarta has carried out its economic policies during the past year.

Robert King

Robert King, long-time correspondent in Taiwan for a number of UK, Australian and North American publications and radio news networks including the Financial Times up to 1988, died in hospital in Taipei on Monday as a result of complications arising from a kidney infection. Bob King, 45, an American, had been based in Taipei since the late 1970s and was a well known figure among the Asian-based foreign correspondents' press corps.

Moscow hosts the final act in ending Sino-Soviet rift

By Yvonne Preston in Peking

WHEN China's Communist party boss arrives in Moscow today to meet his Soviet counterpart, Mr Mikhail Gorbachev, he will be the first Chinese party leader to set foot on Soviet soil since Mao met Krushchev in November 1957.

The four-day summit in the Soviet capital is the culmination of a long process of normalisation since relations between the two Communist countries broke down in 1961.

Decades of feuding followed the rift until Mr Gorbachev's visit to Peking in May 1989, and nearly 30 years of enmity were formally ended when he shook hands with Deng Xiaoping and the then Chinese party chief, Zhao Ziyang.

The occasion should have been a diplomatic triumph for the Chinese leaders but it was marred by the embarrassment of mass student protest in the heart of the capital, Tiananmen Square, and the serious loss of face it caused them. In Moscow, the tables will be turned. Now it is the Soviet Union which faces collapse and a host of problems, while China appears politically stable and economically capable even of providing a little economic aid to its former enemy.

Jiang Zemin's Moscow visit is the final act in the process of healing the rift, at a time when Communist parties are fast disappearing elsewhere. (China is reportedly anxious to see a reference to "socialism" in the final summit communiqué – the Soviets are not enthusiastic – because Peking is nervous of being the world's last standard-bearer for Communism).

The summit has been given added importance in the eyes of Chinese leaders by the current parlous state of Sino-American relations, the New China News Agency calling it "an event of great significance in the history of Sino-Soviet relations".

It may also serve to boost the standing of the colourless Jiang, 65, the stocky former mayor of Shanghai hand-picked by Deng Xiaoping as party secretary when the previous incumbent Zhao Ziyang, another Deng protégé, fell from grace after the Peking massacre. Jiang is also chairman of the powerful Military Commission, succeeding Deng when he relinquished his last official title in 1989.

Jiang was in Moscow 35 years ago where he worked for a year at the Moscow Vehicle Manufacturing Plant. His only other foreign trip was last year to Pyongyang, giving him a limited appreciation of events in the wider world.

Problems remain between the two countries, especially disputes along the 4,350-mile border, but the last 18 months have seen a rush of high-level exchanges between the two countries, including a visit by Li Peng, the prime minister, last year, and a range of scientific and technological agreements have been reached.

When Mao went to Moscow on his only trip abroad in 1957 communism was advancing everywhere. This week's party-to-party talks between Jiang and the Soviet leader been given a particular urgency for the Chinese leadership, which is painfully aware how vulnerable it is as communism retreats everywhere else.

Mr Madan Bhandari, general secretary of the Nepal Communist party, salutes his supporters

Israel unbending on Syrian peace talks demands

By Hugh Carnegy in Jerusalem

THE ISRAELI government yesterday showed no sign of budging on the key issues barring the way to a proposed Middle East peace conference as Mr James Baker, the US secretary of state, arrived in Jerusalem for talks likely to decide the fate of his mission.

In an unusual move perhaps meant to symbolise his efforts to bridge the yawning Arab-Israeli gap, Mr Baker forsook his airliner and travelled to the disputed Holy City overland from Amman, where he had met King Hussein.

His route took him past Palestinian refugee camps in Jordan, over the Allenby bridge crossing point on the Jordan River into the Israeli-occupied West Bank and up to Jerusalem past a number of the expanding Jewish settlements that Washington and the Arab world condemn as obstacles to peace.

Mr Alexander Bessmertnykh, the Soviet foreign minister who has worked closely with Mr Baker over the past week, sounded an optimistic note when he returned unexpectedly to Damascus for his second round of talks with Syrian leaders within the last week.

"We can say hopes are increasing and all countries are working to adopt measures for holding a peace conference. There are problems which need to be solved and we are continuing to work," Mr Bessmertnykh told reporters.

However, US officials have struck a much gloomier note, admitting there remained great differences between Syria and Israel on two central issues.

Syria has insisted that the proposed peace conference, envisaged as opening the way to detailed bilateral Arab-Israeli negotiations, include a prominent role for the UN. It also wants the conference to reconvene at intervals to monitor progress in the negotiations.

Mr Baker did not appear to hold out much hope of persuading Mr Yitzhak Shamir, the Israeli prime minister who he will meet for the fourth time in two months today, to soften his rejection of the Syrian demands.

Israeli ministers have said repeatedly in advance of Mr Baker's visit that the government has already made significant concessions by agreeing in the first place to a regional conference – which it previously rejected – and by accepting Soviet and European Community participation. They argue that no equivalent ground has been given by the Arab side.

None the less, there is apprehension in the government that Israel – along with Syria – will be blamed by Washington if the peace process collapses. The main fear is that the Bush administration might then turn a deaf ear to Israeli requests for extra financial aid to help it cope with a tide of Soviet Jewish immigrants who threaten to swamp the economy.

Mr Shamir may therefore be prepared to agree to a less ambitious peace talks formula that would exclude Syria but include Jordan, Egypt, the Palestinians and possibly the Gulf states.

Arab boycott, Page 7

Nepal PM resigns after losing seat to communist in election

By Rose Harrington in Kathmandu

NEPAL'S prime minister resigned yesterday after being narrowly defeated by a Communist party candidate in the nation's first multi-party elections in 32 years.

"I have accepted the verdict of the people," said Mr Krishna Prasad Bhattarai, who led Nepal's coalition cabinet since last year's April revolution against King Birendra. Mr Bhattarai also tendered his resignation as acting president of the Nepali Congress party.

Mr Bhattarai lost his Kathmandu constituency seat to Mr Madan Bhandari, general secretary of the Nepal Communist party (United Marxist-Leninist) by 751 votes (27,372 to 26,621).

Tens of thousands of jubilant Communist party supporters celebrated in the streets of the capital after the result was declared, amid a heavy security force presence.

This fuelled speculation that the king might impose a state of emergency in the event of a communist government being formed. Congress, a centre party backed by India, is running neck-and-neck with the communists.

With one-third of the votes counted from last Sunday's election in the kingdom of 18m people, Congress leads with 33 seats, while the Communists have won in 27 constituencies.

Final results are expected to be announced by the end of the week. In the meantime, Mr Bhattarai accepted a request by the king to serve as acting prime minister until the new government is formed.

The strong communist showing in the election has sparked fears that Nepal's fledgling democracy will be ruled by an unstable coalition, regardless of which party ultimately leads the new government.

Mr Bhattarai's defeat is expected to create a crisis within the leadership of the Congress party, which is divided between those who would favour a coalition with the royalist parties backed by the king, and those who would prefer some kind of political accommodation with the communists.

"Bhattarai was a moderate who could bring together these two factions in a compromise," said Mr Jan Sharma, editor of the weekly newspaper, The Independent.

The most likely successor as leader of the Congress party is GP Koirala, a staunch anti-communist and general secretary of the Congress party.

The communists are equally divided between the hard-left faction led by Mr Bhandari and a more moderate faction led by Mr Man Mohan Adhikary.

It remains unclear which faction would form a new government, should the communists win the election nationwide, or whether a coalition can be formed between the communists and the Congress party, in the wake of what was a highly emotional and tense campaign.

Minister says peace pact for Bougainville is near

By Kevin Brown in Sydney

THE end of Papua New Guinea's bloody confrontation with secessionist rebels on the copper-rich island of Bougainville is "within sight", Sir Michael Somare, the foreign minister, said yesterday.

Sir Michael, who has led government efforts to resolve the crisis, told parliament in Port Moresby that a "firm basis" for a settlement had been reached.

His comments are the most optimistic assessment of the state of negotiations yet offered by a senior minister. However, a final breakthrough is unlikely before peace talks tentatively scheduled for July.

Previous hopes of an end to the rebellion have been dashed by the refusal of the Bougainville Revolutionary Army (BRA) to give up its arms and accept reintegration into Papua New Guinea.

An outline settlement reached in January provided for the resumption of health and communications services to the island, in return for the rebels' agreement to discuss a constitutional settlement which would keep Bougainville within the country.

However, Mr Joseph Kabui, the rebels' chief negotiator, was unable to secure the agreement of the BRA, which remains in control of Arawa, the provincial capital, the port town of Kieta and the main airport at Aropa.

Sir Michael said there were "clear signs that a peaceful resolution of the crisis is within sight". The Bougainville rebellion began two years ago when landowners attacked the Panguna copper mine, operated by CRA, the Australian mining group. Local MPs say up to 4,500 people may have died in fighting between rebels and government forces, and during a blockade of the island.

Kuwaiti opposition party says five members detained

By Our Middle East Staff

A KUWAITI opposition group said yesterday that five of its members had been arrested at the airport for putting up posters welcoming home people who had been abroad since before the Iraqi invasion.

The five, members of the Islamic Constitutional Movement (ICM), were said to have been arrested on Saturday. The organisation added that they had all been in Kuwait throughout the occupation and had been active in the resistance.

The ICM is one of at least seven groups campaigning for the introduction of democratic reforms and a reduction in the power of the ruling al-Sabah family. Although the authorities have promised greater public participation in government and eventual elections no timetable has been announced.

The opposition has been particularly critical of the composition of the new government announced more than three weeks ago. A subsequent attempt to hold a joint press conference at a Kuwait hotel was banned and the opposition has been unable to find another venue.

Tens of thousands of Kuwaitis are due to return during the next four weeks, many of them for the first time since Iraqi forces were forced to withdraw at the end of February. However, the government expects that many will again leave once they have inspected their property and assessed how quickly repairs, where needed, can be carried out.

The government has also announced that it expects to begin soon the trials of more than 200 people accused of collaborating. Most of them are believed to be Palestinians.

Japanese corporate family row becomes public feud

A piqued executive is to complain to President Bush about his Nissan parent, writes Robert Thomson

A SQUABBLE at Japan's largest maker of rear-view mirrors is providing an unusual perspective on the Japanese corporate families, known as *keiretsu*, and has prompted a piqued executive to write to President Bush to spill some beans about Japanese companies.

The mirror maker, Ichikoh Industries, is also the second largest producer of car lights and an affiliate of Nissan Motor, which is blamed by Mr Tetsuya Tsukatani for orchestrating his removal as chairman. He also claimed that the car maker did not want his 44-year-old, Stanford-educated son to head the company.

It is rare for Japanese corporate bickering to flow out of the boardroom, but Mr Tsukatani, 71, is aiming for maximum impact. Yesterday he called a press conference to announce his campaign against Nissan and to reveal a few diary extracts detailing meetings of the corporate family members. Mr Tsukatani suggested that Nissan disapproved of his chairmanship because he wanted to keep Ichikoh out of the car makers' *keiretsu* grouping and free to conduct business with other regular customers, including General Motors and Chrysler.

A spokesman for Nissan said that the company has a 20.9 per cent stake in Ichikoh and, as the leading shareholder, had a right to "express an opinion" on management and personnel issues. But Nissan insisted that the removal of Mr Tsukatani in late February was entirely the responsibility of the 20-member Ichikoh board.

"We had stated our opinion regarding the top personnel, but this is really an in-house problem. It was up to Ichikoh. We know that Mr Tsukatani wanted to make his son the president, but almost all of the board members were against it," the spokesman said.

Mr Tsukatani, whose father founded the company, prefers to portray the decision as an example of the Nissan *keiretsu* unfairly exercising influence; he said that his downfall came three days after a meeting with Nissan executives at which he was told to resign.

Mr Tsukatani wants prosecutors to take action against two Ichikoh officials, who allegedly represented his dismissal as a resignation. However, he apparently has no plans to take legal action against Nissan.

He compared his fate to that of Mr T. Boone Pickens, the Texan investor who took a 26.4 per cent stake in Koito Manufacturing, Japan's largest maker of car lights and a member of the Toyota Motor group.

Mr Pickens recently announced that he will sell the stake, bought with funds borrowed from a Japanese stock speculator, after having failed to gain a place on the Koito board and claiming that Japanese corporate families remain closed to outsiders. The complexity of the *keiretsu* is highlighted by the fact that Toyota also has a 6.1 per cent stake in Ichikoh, while two other vehicle builders, Isuzu and Daihatsu, have small stakes in the company, which reckons that 50 per cent of its sales are made to Nissan.

US officials have targeted the *keiretsu* networks as a trade problem and Washington has commissioned several studies to quantify their influence on sales and materials purchases.

While Mr Tsukatani has promised to reveal all in his letter to President Bush, he did not provide much insight yesterday into *keiretsu* collusion.

He said that the biggest problems for smaller members of the group was the pressure for price cuts applied by *keiretsu* leaders such as Nissan. And he suggested that being forced to join the family reduced the initiative of employees, who felt that they were insignificant members of a big group. "Independence is important for the workers' morale. Once you are a *keiretsu* member, you simply become another Nissan factory.

In order to provide good service for other customers and for customers in the US, you have to be independent. If Nissan controls Ichikoh, it will hurt competition," Mr Tsukatani claimed.

As for the elevation of his son, a managing director at Ichikoh who spent three years in Nissan's overseas department, Mr Tsukatani wrote in a letter to Nissan executives that he could find no one more capable at Ichikoh.

"When I think about a person who will continue with my philosophy, although young, I think of Takuro, my son. Even though there are some things that he will not attain, his integrity cannot be bent and he will protect Ichikoh's independence," he wrote.

Decline in US retail sales less than forecast

By Michael Prowse in Washington

US RETAIL sales fell fractionally in April but yesterday's sharp upward revision for March unsettled the US bond market. Separate figures showed a modest 0.2 per cent increase in consumer prices, further evidence that the still weak economy is curbing inflationary pressures.

Retail sales, after seasonal adjustment, fell 0.1 per cent last month – considerably less than the 0.4 per cent decline expected in financial markets. The Commerce Department also sharply revised figures for March to show an increase of 0.4 per cent instead of a decline of 0.8 per cent.

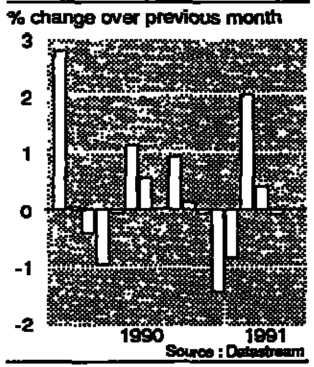
The bond market, already subdued by last week's record $37bn (£21.5bn) Treasury refunding, responded negatively to the news as analysts discounted the prospect of further interest rate cuts. By midday the benchmark long bond was down nearly a full point at 97⅜. Shares were also weak, with the Dow Jones index down 27.95 points at 2896.47 at midday.

For retail sales the overall picture in recent months is of sharp decline between November and January, followed by recovery in February and March – and stability last month. On average, sales in the past three months were 0.9 per cent higher than between November and January and 1.1 per cent above the level of a year ago.

Yesterday's inflation figures were in line with expectations.

US retail sales value

% change over previous month



Source: Datastream

The 0.2 rise in the index followed a 0.1 per cent fall in March. So far this year consumer prices have risen at a seasonally adjusted annual rate of 2.5 per cent, compared with a rise of 6.1 per cent for 1990 as a whole.

Recent small increases in prices suggest the sharp rise in January and February was an aberration. Excluding the volatile food and energy components, "core" consumer prices rose 0.2 per cent last month and at an annual rate of 4.4 per cent in the past three months. This compares favourably with an annual core inflation rate of 5.9 per cent in the three months to January.

The better retail sales figures since February reflect a modest rebound in purchases *of durable goods such as cars* – partly a reflection of falling interest rates.

Argentine military rebuffed

EFFORTS by Argentina's armed forces to wring an increase in military spending *from the government* have been firmly rebuffed, writes John Barham in Buenos Aires.

Mr Erman González, the defence minister, fired the navy's second-in-command on Monday evening and the Economy Ministry firmly rejected demands for more money.

Rear-Admiral Antonio Mozzarelli was sacked for making "inopportune" public statements about the armed forces' dwindling budgets. He said last week *that insufficient military* spending had left Argentina "defenceless", while salaries did not "last to the end of the month".

The admiral's departure signals a victory for Mr Domingo Cavallo, the economy minister, and a reverse for the armed forces after a week of intense pressure on the government.

Drexel sensitive about delicate compromise

Nikki Tait reports on the complex settlement between the US investment bank and its creditors

LAWYERS for Drexel Burnham Lambert, the controversial US investment bank which filed for Chapter 11 bankruptcy protection 15 months ago, were *emphatic – no quotes.*

This after having summoned the press to their Upper East Side offices to explain an inordinately complex settlement between their client, its creditors and the various parties who have brought legal action against Drexel.

When journalists quibbled, the response was blunt: take it or leave it. No one, they claimed, wished to personalise the matter, which lays the groundwork for Drexel's re-organisation and comes after months of hard bargaining.

Such sensitivity about a document already filed in open court is instructive. It underlines the extent to which this crucial securities litigation settlement – which ends legal *action against Drexel itself* – is a delicate compromise, achieved thanks to the prodding of an 84-year-old judge and a good deal of pragmatism on the part of the lawyers themselves.

The problem, in essence, was simple. Here was the most profitable but contentious investment bank of the 1980s, which had filed for bankruptcy in February 1990 with assets worth $3.7bn. Because some of these were in the form of high-yield, high-risk junk bonds, bridge loans and other securities, their value subsequently fell. There were also ongoing expenses. Today, the immediate worth of Drexel's estate is closer to $2.5bn.

Yet by the first anniversary of the bank's demise, claims against the estate had risen above $30bn. Within this figure, the "undisputed fixed claims" – that is, loans to Drexel – were a relatively modest $2.5bn. But claims based on allegations that Drexel had contravened securities law amounted to $20bn; the Internal Revenue Service had demanded $5.3bn; and other legal claimants believed that they were owed some $5bn.

It was clear no one was going to get everything he wanted, and the fact that a compromise settlement was reached party reflects this. In the courtroom, Judge Milton Pollack did his best to drive creditors and litigants into line, by saying he would liquidate the business if they did not agree quickly.

This could have opened the door to a decade of litigation and eaten up the estate in legal fees. Drexel's lawyers added pressure by threatening to have the securities claims "estimated" – that is, asking the courts to decide on an acceptable upper limit.

In settlement, then, everyone accepts partial payment. The *fixed creditors, for example,* get 85 per cent of the first $1.3bn, once secured claims and expenses have been met; the securities litigants get 15 per cent. For further payments, these proportions change.

Michael Milken, former head of Drexel junk bond operations: not immune

But there is a second and more interesting element to the deal. For months, one of the biggest hurdles facing the Drexel bankruptcy has been the Federal Deposit Insurance Corporation (FDIC), which insures deposits with US savings institutions, together with the Resolution Trust Company, overseer of the multi-million dollar bail-out of the thrift industry.

For political reasons, these agencies have every incentive to claw back the last possible dollar from whatever source. Accordingly, with the help of a high-powered team of litigators, they alleged that Drexel "systematically plundered" the savings and loan institutions – some of which were among the bank's best customers – and slapped in a horrendous $11.3bn claim.

Yet, in retrospect, the move may have been shrewd. For, to a large extent, the FDIC claims have now been traded for information and legal advantage. Under the settlement, Drexel agrees to "pool" its own claims with those of the FDIC – and one group of investor class actions – where there is a common defendant.

In return, it will get 14 per cent of any monies recovered from these suits, up to $400m; the rest will go to its fellow litigants.

Better still, from the FDIC's standpoint, Drexel will give it ready access to internal files. The bank says that it will expedite the availability of "non-privileged" information immediately. And once its re-organisation plan gets the court's blessing, it will also turn over documents that would normally be subject to attorney-client privilege, unless objections are raised in court.

Perhaps what is most significant, this "pooling" agreement will cover action against ex-Drexel employees, such as Mr Michael Milken, who ran the bank's junk bond operations and is already the subject of a $6bn lawsuit from the FDIC and RTC. After all, certain employees, together with special employee partnerships, are alleged to have been major financial beneficiaries of the bank's junk bond activities.

The ultimate irony in this arrangement is that litigators for a federal agency could eventually go into court batting for Drexel, against the very man who made the bank so wealthy in the first place.

So what happens next? Settlement of the securities litigation does not end the bankruptcy process. A formal plan of re-organisation, only tentatively sketched out in the settlement, must now be drawn up. It must then win a favourable vote among creditors. This procedure will take best part of a year at least.

And the debtor must still solve the problem of the IRS, which is proving more recalcitrant than the FDIC. Drexel lawyers say that the taxman's $5.3bn claim has been pared back by some $2bn, but such a figure would still wreak havoc on the settlement arrangement. If nothing gives, the merits of the claim will be heard by the courts next month.

On the plus side, that hearing will pass before the bankruptcy court judge who, having seen matters come this far, may be reluctant to watch the whole process blown off course.

And it would surely be somewhat ironic if one government agency were to hamstring the chances of another of extracting some money back from Drexel's demise.

US seeks assurances from Gorbachev in return for summit blessing

By Peter Riddell, US Editor, in Washington

THE US will only back an invitation for Soviet President Mikhail Gorbachev to attend the Group of Seven heads of government summit in London in mid-July if it is assured of a positive commitment to Soviet economic reform.

The possibility of Mr Gorbachev attending the summit was discussed by the leaders of Japan, Germany, Britain, France, Italy, the US and Canada at last year's meeting in Houston. Soviet officials have also recently been angling for an invitation.

Last year's thinking was that Mr Gorbachev might be invited as an observer, as a means of encouraging market reforms in the Soviet Union and its closer involvement in the international economy. But US officials are concerned that the Soviet leader should not hijack the summit and detract from its basic purpose of discussing mutual economic and trade issues.

Noting the Soviet interest, President George Bush said yesterday that the possibility *of an invitation would be further* discussed with other G7 leaders. But he stressed that if Mr Gorbachev attended, it was important that "something positive will happen".

This reflects the view of senior US policymakers that, while there has been some recent progress in defusing the Soviet constitutional crisis, this has not been matched on the economic side. Consequently, US officials want to pin Soviet leaders down to a reform programme.

Officials planning for the London meeting are considering a possible joint declaration by the G7 leaders.

This might start with an assertion that the present *Soviet economic plan will not* work, and then state that any reforms must depend on the introduction of basic property and contract rights, as well as a macroeconomic stabilisation plan and greater competition, reinforced by a safety net for those adversely affected.

Any western assistance would be tied to specific agreement by Mr Gorbachev.

This step-by-step approach is being reflected in the current administration debate over how to respond to a Soviet request for $1.5bn in export credits for farm products. Officials are reluctant to give an unconditional commitment, so any approval may be linked to the work of a high-level mis*sion of farm experts flying to* the Soviet Union later this week to advise on improvements to the food distribution system.

Mr Bush was also non-committal yesterday about the timing of his already postponed summit with Mr Gorbachev. He said there was no set time and no agreement. "I've made it clear that I would like to go to Moscow under certain conditions and I'd like to think I will."

In the last week or Mr Bush has praised Mr Gorbachev more openly in spite of criticism from American conservatives that he is propping up the Soviet leader.

The US is reluctant to get *pinned down on a summit* date, but is insisting on a successful resolution of differences over the implementation of the treaty to reduce conventional forces in Europe and a yet to be finalised agreement reducing both countries' strategic nuclear arsenals.

The most likely date for any Moscow meeting is late June or early July, though Mr Bush could see Mr Gorbachev in London in mid-July.

● John LLoyd adds from Moscow: President Gorbachev "remains loyal" to the idea of a US-Soviet summit in the summer, and to the signing of a strategic weapons agreement, according ot Mr Vitaly Ignatenko, his principal spokesman.

Mr Ignatenko said that the visit to the US of General Mikhail Moiseev, the Chief of the Soviet General Staff, to begin on May 20, would assist the process of agreement between the two countries on the remaining problems on the conventional forces in Europe (CFE) agreement.

Allies urged to honour Gulf war pledges

By Peter Riddell

THE US has so far received about $36bn out of $54.6bn promised by its Arab and European allies and Japan for the military costs of the Gulf operations since last August.

Mr Eugene McAllister, assistant secretary of state for economic and business affairs, yesterday told the House foreign affairs committee that the US was "very vigorously conveying to our partners our desire to achieve rapid disbursement of the remaining commitments."

The US is holding continuing discussions with Japan about how it could contribute towards the US's continuing military costs associated with the *crisis. This refers to the* current operations in support of the Kurdish refugees.

Mr McAllister said the US was focusing on Saudi Arabia (which has disbursed nearly half of its $13.5bn commitment for 1991), Kuwait (which has disbursed half of a similar amount) and Japan. Germany has disbursed all its promised $5.5bn and the United Arab Emirates has paid over nearly all of its pledged $4bn. The Saudi government has said it will complete its commitment by the end of next month.

*There has been strong Con*gressional pressure for the allies to pay up what they have promised in contributions to war costs.

Mr David Mulford, Treasury under secretary for international affairs, told the committee that, while the estimated cost of the military operation had not been finalised yet, it was likely to be $60bn plus. He confirmed that about $36bn had been received out of a pledged $54.6bn.

Separately, the US has organised the Gulf Crisis Financial Co-ordination Group of 26 countries, the European Commission and the Gulf Co-operation Council to pull together bilateral economic support for countries worst hit by the crisis.

Mr Mulford told the committee that the group has so far secured commitments of $16.1bn for the period from last August until the end of this year. Of this some $11.7bn has been pledged to Egypt, Turkey and Jordan, of which $6bn has so far been paid over out of total disbursements of $8.9bn.

The balance of the commitments and disbursements has gone to Bangladesh, Djibouti, Lebanon, Morocco, Pakistan, Somalia and Syria.

Third World wants 17 month MFA extension

By William Dullforce in Geneva

THIRD WORLD exporters have proposed that the Multi-Fibre Arrangement (MFA), which governs about half the $180bn-a-year world trade in textiles and clothing, be extended for 17 months after it expires on July 31 this year.

The proposal came from the International Textiles and Clothing Bureau (ITCB), grouping 22 developing countries, as Gatt's textiles committee is due to convene tomorrow to discuss how to ensure continuity in trading conditions for textile products after July.

Uncertainty has prevailed since the Uruguay Round broke down in December. Dismantling the MFA, which submits a large part of textiles products trade to bilateral pacts between exporting and importing countries, was one of the Round's aims.

So far, attempts to agree how to handle the existing MFA after its expiry have failed.

Seventeen ITCB members have proposed the MFA be extended until the end of 1992 or until the date when results from the Round are implemented, whichever is earlier.

Importers, especially the US, will find it hard to accept the conditions: that they be allowed to introduce no new curbs during the extension; prolongation or renegotiation of existing bilateral pacts may improve exporters' market access but should introduce no worsening of the terms now in place; and importers shall not apply aggregate limits and regional quotas during the extension.

Officials said the first condition amounted to a freeze of the MFA, since it would make it impossible for importers to apply MFA "safeguard" provisions, allowing them to impose urgent import curbs.

The third condition is aimed at the US, which applies aggregate limits, and the EC, which can impose regional quotas.

India may admit foreign insurers

INDIA is considering letting foreign insurance companies operate in the country, after two decades of insurance nationalisation, writes Kunal Bose in Calcutta.

According to Mr S V Mony, chairman of the government-owned General Insurance Corporation, foreign companies will be allowed initially to offer limited services.

India has been under pressure, particularly from the US, to let in foreign companies to market insurance services. The US has raised the threat of trade retaliation.

The decision to permit foreign companies to operate in India is one for the new government to be formed after the general elections later this month. It is hoped in India that the entry of foreign companies will improve the efficiency of the local industry.

Canadians share Texas train bid

A consortium led by Morrison-Knudsen, the US construction group, and Bombardier of Canada has been designated sole bidder for the proposed $4.5bn Texas high-speed train project, Robert Gibbens reports from Montreal.

Bombardier would build $800m-worth of TGV rolling stock under licence from GEC-Alsthom. Construction would be carried out by the US partners. The line would connect Houston and Dallas-Fort Worth by nearly 300 miles of track, and would be due in service by 1998. Award of the contract is set for May 28.

Colour TV venture

A joint venture between Hitachi and China's Fujian Province aims to export colour TV sets to the Soviet Union, the first case of an electronics product made by a Japanese-Chinese company being exported there, Hitachi said, AP-DJ reports from Tokyo.

Fujian Hitachi Television was founded in 1981 and has been producing 14 and 21 inch-screen colour televisions in Fujian province at the rate of about 60,000 units a year.

Gatt urged to rule on slaughter of dolphins

ENVIRONMENTALISTS yesterday urged Gatt to pass a ruling to halt commercial tuna fishermen from slaughtering dolphins, Reuter reports from Geneva.

Their plea was made on the first day of an investigation by Gatt into a US ban on Mexican tuna imports. The US imposed the ban last October under legislation forbidding imports of tuna caught in nets which also kill dolphins.

A Gatt panel has started studying the Mexican complaint, which claims the US measure contravenes several Gatt provisions and has seriously affected the fishing industry, trade officials said.

Representatives of the World Wide Fund for Nature (WWF) and the Swiss environmental Bellerive Foundation said the Gatt ruling on the dispute would have enormous implications for environmental protection issues.

"The overriding question. . . is if the conservation of an animal species or an eco-system can counterbalance the demands for economic profit," they said. Purse seine nets, which encircle tuna with floats on top and weights on the bottom, had killed hundreds of thousands of dolphins in the eastern Pacific, the statement added.

Mexico said the US Marine Mammal Protection Act was contrary to Gatt articles prohibiting quota restrictions and ensuring equal treatment for foreign suppliers. It also said US requirements to label canned tuna products as "dolphin safe" breached a Gatt provision on markings defining the origin of a product.

US, Japan to resume chip talks

By Louise Kehoe in San Francisco

US AND Japanese trade officials resume talks aimed at a new semiconductor trade agreement in Tokyo this weekend, as pressure grows for an accord to replace the five-year 1986 pact ending in July.

During marathon sessions in Washington last week and over the weekend, "progress was made", according to both US and Japanese observers, but some key issues remain.

The US is demanding Japan concede at least 20 per cent of its $21bn (£12.5bn) semiconductor market to foreign chip suppliers. At present, according to US calculations, Japanese companies import only about 13 per cent of the semiconductor devices they consume.

Japanese negotiators are believed to have accepted US demands that the 20 per cent market figure be incorporated in a new trade agreement, but differences remain on how market share should be measured.

In 1986, both countries agreed to use data collected by a US-based industry group affiliated with the US Semiconductor Industry Association. Japan now wants to alter the basis for market-share calculations to reflect sales to Japanese subsidiaries by US "captive" chip makers, such as International Business Machines which makes semiconductor chips for use in its own products.

Also still to be resolved are some aspects of how the agreement should proscribe "dumping" of Japanese semiconductor products in the US and third-country markets. Progress has been made on how to monitor chip sales to ensure "dumping" is not occurring.

US sanctions, imposed against Japan in 1987 in retaliation for its alleged failure to live up to the terms of the 1986 semiconductor trade pact, remain a point of contention.

The sanctions are largely symbolic in value, but have become a political embarrassment in Japan. Japanese negotiators have tried to make removal of the sanctions a condition of their agreeing to a new semiconductor trade pact. So far, the US has refused.

With both sides now agreeing their talks to date have been constructive, US semiconductor officials expect to see a swift resolution, perhaps over the weekend.

Early resolution of the chip issue would let the US Trade Representative's chief negotiator focus on Structural Impediment talks, due to resume in Tokyo next week.

Strong views, weak wills mark Arab boycott

Victor Mallet weighs conflicting claims over the Arab ban on links with Israel

THE ARAB boycott of companies linked to Israel is an elusive and confusing beast, particularly when seen through the eyes of those who are trying to kill it.

"We have a definite belief that the Arab boycott is weakening," says Mr Will Maslow, general counsel of the American Jewish Congress and editor of Boycott Report, which monitors the impact of the boycott on US corporations.

"No it's not crumbling at all," says Mr Martin Lever, executive director of the British-Israel Chamber of Commerce. "I think it's as strong, if not stronger than ever."

These contradictory views are partly a reflection of the different circumstances on either side of the Atlantic.

In the US, companies are forbidden by law from complying with the Arab boycott authorities; in Britain, they can do what they like, which as often as not means choosing a large Arab market instead of a small Israeli one.

It is against this background that Israel is attempting to persuade the European Community to enforce anti-boycott regulations throughout the EC. Mr David Levy, the Israeli foreign minister, called for moves to end the boycott at an EC-Israel meeting in Brussels yesterday.

Israel's supporters are optimistic on several counts that the boycott is actually weakening. First, Coca-Cola was quietly removed from the Damascus-based blacklist this month after openly defying the boycott and gaining a foothold in the Gulf states, the only part of the Arab world where the "secondary" boycott of foreign companies linked to Israel is strictly applied.

Second, Japanese companies, which were always the most stringent followers of the boycott, (or the most craven, depending on your point of view), have started to do increasingly more direct business with Israel, often because of pressure from their American subsidiaries.

"In recent weeks we've had three Japanese companies – Toyota, Nissan and Mazda – announce that they are going to sell their cars to Israel before the end of the year," says Mr Maslow.

What is more important for Israel, he says, Japanese companies have started to invest in Israel by buying small Israeli concerns.

And third, the Kuwaitis were so incensed with the stand of the Palestine Liberation Organisation during the Iraqi invasion of their country that they have announced plans to ease their previously rigid application of the secondary boycott. This is seen as crucial to the anti-boycott movement.

Levy: urged introduction of anti-boycott measures

To enforce the boycott, Arab importers demand "negative certificates of origin" to show that no part of the goods was made in Israel, and, according to Mr Maslow, a third of the 12,000 boycott-related requests reported in the US in the year to September 1990 were sent from the zealous Kuwaiti boycott office.

It was, like so many offices in Kuwait, staffed by Palestinians. They are now out of favour and the office is in a shambles after the Iraqi occupation.

Mr Ibrahim al-Ghanem, director-general of the Kuwaiti customs department, said Kuwait was grateful for American help in the war and would ease the boycott of foreign companies tied to Israel.

"If Kuwait does this it's likely that the other Gulf states will follow," says Mr Maslow.

At this point, however, the optimists and the pessimists part company. The political inertia of the Arab world is such that the pace of any generalised move away from the boycott is likely to be glacial.

Kuwait might well turn out to be a special case, and so might Coca-Cola.

Coca-Cola established itself in Saudi Arabia partly by choosing the influential and immensely wealthy Mr Suleiman Olayan as its agent, and the Boycott Office in Damascus added 110 companies to its blacklist (including 104 in which Mr Robert Maxwell was said to have interests) the same day that it removed Coca-Cola and nine others.

One of the strengths of the boycott is the vagueness of its provisions and the haphazard way in which it is implemented.

This encourages British, Japanese and other companies to err on the side of caution and ignore the Israeli market rather than risk Arab retaliation.

Typically, the Arab-British Chamber of Commerce, which helps to enforce the boycott, declined to make any comment on the matter this week.

Israel's supporters acknowledge that it will not be easy to persuade the EC as a whole to implement anti-boycott regulations, even if they are presented in the form of a general "harmonisation directive" prohibiting discrimination and distortion of trade.

The British-Israel Chamber has drafted such a directive, but Mr Lever says: "The bureaucratic set-up in the commission makes that a very, very long haul."

Only wishful thinkers believe that trade and politics can be kept separate. Israel wants the Arabs to lift the boycott as a "confidence-building measure", but the Arabs think that Israel is already confident enough.

When Mr James Baker, the US secretary of state, urged the Arabs to end the boycott in May 1989, his speech was better remembered for what he demanded of the Israelis. He told them to forswear annexation of the occupied territories and lay aside the "unrealistic vision of a greater Israel".

The Israeli government still clings to that vision, just as many Arabs cling to the boycott as one of their few effective weapons against Israel.

EC aim to 'abolish boycott'

By Andrew Hill in Brussels

THE European Community has made a pledge that it will work towards abolishing the Arab boycott of companies trading with Israel, EC foreign ministers told their Israeli counterpart, Mr David Levy, in Brussels yesterday.

But Mr Levy was unable to answer EC ministers' demands that the Community should play an active part in any Middle East peace conference.

He said that he would continue to keep dialogue open between Israel and the EC on the matter, but added that he was unable to commit his government to a decision.

EC ministers said the call for the abolition of the Arab boycott – part of an attempt to boost the current peace process – should be matched by confidence-building measures from Israel.

Mr Jacques Poos, the foreign minister of Luxembourg, which currently holds the EC presidency, said that such measures could include, for example, ending the policy of new Israeli settlements in the occupied territories and opening Israeli universities to Palestinian students.

Yesterday's talks were part of the regular meetings of the EC-Israel Co-operation Council.

The foreign ministers also agreed that they should work together on problems raised by the internal market and on issues of regional co-operation.

It also emerged yesterday that separately President Hosni Mubarak of Egypt and the Syrian foreign minister are scheduled to visit Luxembourg within the next week for a round of talks with EC representatives on the peace process.

OECD Export Credits Rates

THE Organisation for Economic Co-operation and Development announced new minimum interest rates for officially-supported export credits (April rates in brackets): D-MARK 9.68 per cent (9.66); FRENCH FRANC 10.26 (10.39); GUILDER 9.75 (9.80); ITALIAN LIRA 12.34 (13.69); YEN 7.50 (same); PESETA 13.53 (14.15); STERLING 11.28 (11.27); SWISS FRANC for credits of less than eight years 8.30 (same); for credits of more than eight years 8.55 (same); US DOLLAR for credits of up to five years 8.60 (8.67); for credits of over five years 9.00 (9.07). These rates are published monthly by the Financial Times, normally around the middle of each month. They apply to all export credits, except that on those to middle-income and poor developing countries the OECD matrix rate can be used if lower. This is a standard set of rates reviewed twice a year, in January and July.

UK NEWS

US carrier seeks to impose deal on Heathrow staff

By Lisa Wood, Labour Staff

AMERICAN AIRLINES, the large US carrier, is seeking to impose new terms and conditions, including a longer working week, on the UK employees at Heathrow Airport of Trans World Airlines whose three main London routes it has acquired.

American Airlines, which takes over three TWA routes from the US to Heathrow on July 1 is insisting that 294 TWA staff who operate at Heathrow must sign new individual contracts to transfer employment. TWA is keeping on other UK staff.

The move, which includes an end to union recognition for the 294 workers, is being resisted by unions representing the maintenance, bag handling and passenger check-in staff.

Mr Gavin Laird, general secretary of the AEU engineering union, said that taken with the changes at Rolls Royce the new American Airlines contracts represented a "singularly unfortunate trend." Rolls-Royce plans to terminate the contracts of 34,000 workers in order to introduce a six-month pay freeze.

Mr Roger Buckley, a national officer of the AEU accused American Airlines of making a "blatant attack on working conditions" of the TWA employees.

The contracts, he said, gave workers shorter holidays, and extended the working week from 36½ hours to 37½ hours. Some workers faced up to a one third reduction in their take home pay.

Mr Buckley said people who had signed the new contracts were being told by their trade unions to send letters to American Airlines accepting the jobs but repudiating the new conditions.

American Airlines said yesterday that about 97 per cent of the former TWA employees had signed the new contracts. A spokeswoman said people were not being forced to sign them. She said American Airlines, which has operated in the UK since 1982 wanted a happy workforce and had strong employee participation and team work.

She said the terms and conditions were very broadly similar to those of TWA although people were being asked to work slightly longer.

Rolls-Royce defends startling pay freeze decision

Michael Smith examines the background to Rolls-Royce's attempt to issue its staff with new contracts

THIS WEEK'S startling decision by Rolls-Royce to terminate the contracts of all 34,000 employees in its aerospace division was aimed, in part, at preventing the company from being sued for breach of contract.

The company, whose chief executive is Sir Ralph Robins, said the move was necessary to impose a pay freeze, but it now faces the danger of a series of industrial tribunal cases which, if successful, could produce a hefty compensation bill *for unfair dismissal*. It is even conceivable, though unlikely, that compensation would be more than the company will save by halting pay increments.

It was the desire to stop the payment of increments – made on the basis of age, length of service and technical competence – which prompted the company to terminate the contracts and replace them with similar ones.

Simply freezing cost-of-living rises would not require a change of contracts to be legally watertight.

Few employers in the private sector use increments to the same extent as Rolls-Royce. For this reason, Rolls-Royce's initiative – described by some unions as a mass sacking – seems unlikely to be emulated by many other companies implementing pay freezes. Any company contemplating a pay cut would be more likely to follow Rolls's lead, but relatively few employers are attempting to reduce wages.

Sir Ralph Robins: Rolls-Royce says the imposition of new contracts was necessary to enforce a pay freeze

There have been several cases in recent years of companies dismissing entire groups of workers. In two famous cases, at News International and P&O, the sackings arose out of industrial disputes and neither employer took back all those dismissed.

Other employers have tended to employ less drastic means to bring in new contracts. British Rail told 6,500 signals and telecommunications engineers this year that those who did not accept fresh contracts involving new working rosters could stay on old ones, but would not be eligible for promotion.

Rolls-Royce describes its initiative as a legal technicality and says it does not intend to lose any employees as a result.

The case that will have most influenced Rolls-Royce's legal advisers ended with a 1987 House of Lords ruling making clear that an employer cannot vary an employee's contract of employment unilaterally. This followed a decision by Ferodo to cut employees' pay without what was considered the necessary consultation; the company had to pay back the lost earnings.

Rolls-Royce hopes to avoid a similar fate by giving notice to employees that it intends to terminate their contracts and offering them similar contracts, without guaranteed increments.

Some lawyers believe employees who accept the new contracts might retain the right to take the company to an industrial tribunal for unfair dismissal, arguing that neither they nor their unions had been consulted.

If successful, they could win the equivalent to redundancy payments of up to £3,600 for long-serving members of *staff*. One pay analyst estimated yesterday that compensation claims could amount to tens of millions of pounds.

It is thought that about 40 per cent of the Rolls-Royce aerospace division's employees would have been entitled to increments and that the company has saved slightly less than £10m by freezing them. That compares with about £24m which will be saved by the freeze on general pay rises (assuming an increase of about 5 per cent at the end of the current pay agreement).

The company could argue that the change in contract was merely a variance and that there were no dismissals. In its letter to employees, Rolls-Royce stresses that new conditions will be exactly the same as the old "except that your pay will be fixed at its present level and any terms in your present contract giving entitlements to an increase in pay will be excluded".

If the case were taken to industrial tribunals the company could also be expected to argue that the termination of contracts was necessary because of the business needs brought on by recession.

Labour lawyers believe that the unions would have a long and expensive fight to stand any chance of success, particularly if the new contracts vary only slightly from the old ones.

Mr Jeremy McMullen, a barrister specialising in labour law, said yesterday that the company had taken a sledge-hammer to crack a nut. He said one of the motives could have been to create a softer negotiating climate for redundancies – Rolls-Royce plans to shed 6,000 jobs in the division this year.

NOTICE OF REDEMPTION

JAPAN AIR LINES COMPANY, LTD.

(Nippon Koku Kabushiki Kaisha)

U.S. $75,000,000 11 per cent.

Guaranteed Bonds due 1993 (the "Bonds")

NOTICE IS HEREBY GIVEN, that the following Bonds of the Company, in the aggregate principal amount of U.S. $12,000,000 have been drawn for redemption on June 14, 1991 (the "Redemption Date") for account of the Sinking Fund at a redemption price (the "Redemption Price") of 100% of the principal amount thereof.

Serial Numbers of Bonds Called for Redemption

11	836	1784	2711	3545	4445	5230	6112	[illegible]	7749	[illegible]	9736	10890	11600	12583	13425	14262
12	845	1788	2715	3554	4456	5233	6121	[illegible]	7763	[illegible]	9745	10904	11612	12568	13445	14266
20	850	1797	2722	3560	4459	5236	6126	6857	7765	[illegible]	9750	10905	11617	12579	13447	14267
25	854	1809	2724	3570	4466	5254	6128	6865	7766	[illegible]	9753	10712	11628	12581	13452	14268
40	862	1820	2736	3572	4469	5255	6141	6870	7771	[illegible]	9760	10714	11631	12587	13460	14274
63	864	1823	2748	3575	4471	5259	6143	6867	7775	[illegible]	9761	10716	11630	12589	13478	14276
65	866	1830	2750	[illegible]	4472	5264	6158	[illegible]	7781	[illegible]	9807	10723	11643	12593	13491	14278
66	886	1832	2755	3585	4478	5268	6163	6921	7782	[illegible]	9813	10726	11651	12596	13499	14282
70	894	1835	2759	3590	4479	5280	6164	6931	7792	[illegible]	9828	10730	11652	12602	13507	14283
84	897	1838	2760	3604	4485	5282	6169	6936	7795	[illegible]	9829	10741	11654	12606	13508	14285
86	898	1850	2761	3607	4486	5289	6175	6940	7796	[illegible]	9834	10742	11657	12620	13509	14286
98	903	1853	2767	3624	4494	5301	6179	6950	7802	[illegible]	9843	10744	11659	12626	13520	14300
102	911	1855	2780	3629	4495	5305	6180	6951	7824	[illegible]	9852	10747	11668	12636	13523	14313
124	914	1856	2786	3630	4501	5312	6182	6953	7836	[illegible]	9869	10749	11680	12640	13527	14316
126	931	1870	2790	3640	4512	5314	6188	6955	7865	[illegible]	9872	10752	11691	12650	13532	14319
147	935	1875	2792	3642	4522	5324	6190	6956	7870	[illegible]	9875	10762	11693	12673	13534	14326
148	943	1885	2798	3643	4524	5325	6195	6957	7907	[illegible]	9891	10763	11720	12674	13537	14334
150	958	1895	2794	3649	4529	5328	6196	6972	7916	[illegible]	9913	10769	11723	12683	13539	14338
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
730	1720	2631	3421	4342	5148	5986	6764	7622	8746	9625	10577	11463	12409	13328	14140	14982
734	1726	2634	3425	4344	5152	5987	6770	7624	8752	9641	10593	11473	12410	13335	14143	14985
736	1727	2635	3432	4350	5162	6000	6773	7625	8759	9661	10596	11474	12412	13345	14166	
738	1735	2639	3441	4352	5168	6006	6782	7640	8764	9664	10607	11476	12416	13357	14167	
753	1736	2642	3444	4357	5170	6007	6790	7642	8771	9677	10630	11482	12418	13372	14182	
763	1737	2644	3449	4358	5175	6009	6802	7647	8776	9681	10643	11491	12453	13374	14189	
764	1741	2646	3450	4367	5180	6034	6803	7654	8778	9687	10645	11504	12460	13379	14195	
765	1744	2648	3458	4371	5181	6069	6805	7669	8783	9704	10648	11508	12474	13381	14196	
773	1746	2651	3465	4379	5185	6071	6807	7676	8784	9714	10650	11511	12476	13382	14200	
779	1748	2656	3468	4383	5186	6075	6811	7678	8797	9718	10652	11515	12485	13390	14218	
780	1752	2663	3489	4392	5188	6077	6813	7700	8805	9720	10653	11521	12493	13396	14220	
801	1755	2673	3498	4404	5191	6078	6816	7717	8807	9722	10661	11533	12507	13397	14220	
802	1769	2676	3499	4415	5193	6079	6822	7727	8810	9728	10672	11558	12518	13407	14234	
804	1774	2677	3514	4424	5204	6084	6824	7736	8816	9729	10684	11574	12527	13413	14238	
815	1779	2696	3528	4416	5210	6089	6842	7740	8819	9732	10686	11589	12528	13414	14240	
832	1782	2701	3531	4432	5215	6105	6843	7741	8824	9734	10689	11597	12540	13416	14241	

Payment of the Redemption Price will be made upon presentation and surrender of the Bonds called for redemption, together with all coupons appertaining thereto maturing after June 14, 1991, at the principal office in the city indicated of any of the following Paying Agents:

The Bank of Tokyo, Ltd. in Paris
The Industrial Bank of Japan Limited in London
The Bank of Tokyo, Ltd. in Brussels
The Industrial Bank of Japan (Luxembourg) S.A. in Luxembourg
Bank of Tokyo (Switzerland) Ltd. in Zurich
Industriebank von Japan (Deutschland) A.G. in Frankfurt/Main

On and after the Redemption Date, interest on the Bonds to be redeemed for this Sinking Fund will cease to accrue. The coupon for interest payable on June 14, 1991 should be detached and presented for payment in the usual manner.

Japan Airlines Company, Ltd.

By: The Bank of Tokyo Trust Company as *Fiscal Agent*

Dated: May 15, 1991

PM leaves options on Emu open

By Ralph Atkins

MR JOHN Major left open yesterday the option of Britain accepting the European Commission's proposals for a compromise treaty on economic and monetary union.

The prime minister neither rebuffed or welcomed the suggestion by Mr Jacques Delors, the commission's president for a treaty which the UK could sign while deferring a decision on whether to accept its eventual goals.

Mr Major, however, reiterated that Britain could not agree to a deal which would bind it to accepting a single currency without a "separate decision" by a future parliament.

His comments in the Commons underlined the government's belief that Mr Delor's concession is a step forward but that a large amount of work is required before a decision is made on whether proposed treaty changes were acceptable.

Mr Major told MPs: "We have made it quite plain to our European partners that we cannot accept any changes to the Treaty of Rome which would bind us to a single currency or a single monetary policy without a separate decision by the UK government and parliament."

The government still has many reservations about plans for EMU and political union – particularly on the shape of the new European central bank. Mr Major knows, too, that he has a difficult political operation to perform in averting a damaging split in the Conservative party over the issue.

Downing Street believes the Commission has recognised that the British will not have a single currency "imposed on them".

Labour opposition well placed to win key contest as general election fever continues

Government braced for poll defeat

By Philip Stephens, Political Editor

THE government faced a renewed onslaught over its national health service reforms yesterday as it braced itself for the possibility of a heavy defeat by the opposition Labour party in tomorrow's Monmouth by-election.

As the NHS dominated a day of angry exchanges in the House of Commons, Mr Neil Kinnock, the Labour leader, sought to taunt the prime minister for backing away from a June general election.

His attack came as a warning by Mr Robin Leigh-Pemberton, governor of the Bank of England, over the inflationary risk of rapid reductions in interest rates, heightened the concern of many Tory MPs about the impact of the economic recession.

Mr Chris Patten, the Conservative Party chairman, said the government's political fortunes would continue to improve over the next few months as the economy recovered.

Major: attacked Labour

But many Tory MPs are now echoing industrial leaders in calling for a sharp reduction in interest rates.

Calling on Mr John Major to prevent any more National Health Service hospitals opting for trust status without a ballot of the local population, Mr Kinnock said: "What are you afraid of? Why are you always running away from the ballot box?"

An ICM opinion poll published in today's Daily Mail shows Labour with a commanding 10-point lead in Monmouth, in the Welsh border country. The poll suggests that controversy over the health service has been a central factor in eroding support for the Conservative candidate.

Mr Robin Cook, Labour's health spokesman, anticipated victory by declaring the by-election a "referendum" on the NHS reforms. He accused the government of creating a "two-tier" health service.

The exchanges came against the background of continuing election fever which is undimmed by the now accepted wisdom that the general election will be delayed until the autumn at the earliest.

In one of his more confident performances of recent weeks, Mr Major responded to the Labour attacks with his own charge that Labour's spending policies would push up the taxes of every family in Britain.

The prime minister accused Mr Kinnock of advocating spending plans which would "not only penalise people on modest and average incomes, but every single taxpayer".

Mr William Waldegrave, the health secretary, accused Labour of being bereft of ideas on how to improve the NHS, adding that Mr Cook had demonstrated that it was more interested in "scaring than caring".

Price rise deepens economic caution

By Peter Marsh, Economics Staff

A SHARP rise in the price of UK manufactured goods last month has underlined government caution about cutting interest rates, ahead of clear signs that core inflation is coming down.

According to the Central Statistical Office yesterday, prices of products at the factory gate rose between by 1.2 per cent in April to record their largest year-on-year increase for more than eight years.

Even though much of the increase can be explained by changes in excise duties for tobacco and alcohol introduced in the March budget, the statistics support the recent warnings from the Treasury and Bank of England that underlying inflation is still too high.

Despite this, many in London's financial institutions and in Westminster believe the government will within the next week cut base rates, now at 12 per cent, to bolster the flagging economy.

The annual rate of increase in factory prices last month was 6.4 per cent, the highest figure since November 1982. In March, the figure was 6.2 per cent.

Just over half the overall increase in prices last month was due to the excise-duty changes. As a result, the year-on-year increase in prices in April for all industries outside the food, drink and tobacco sector was 5.9 per cent, down from 6.1 per cent in March and 6.5 per cent in February.

According to the Treasury, the downward movement in this series of figures indicated that "inflation is moving in the right direction".

Mr Gordon Brown, the opposition Labour Party's trade and industry spokesman, said the data showed inflation was rising "far faster" than the government had said. "All the boasts that the government has made about solving the problem of inflation are not borne out by the figures we're now seeing," he told BBC Radio.

Liberal Democrat treasury spokesman Mr Alan Beith said the government had erred in pushing up companies' costs through its budget measures, and through the recent increases in business rates.

Other figures from the CSO showed that prices of material and fuels purchased by manufacturers declined last month by 1.4 per cent on an annual basis, compared with a fall of 2.5 per cent in March.

Input costs have been falling at annual rates of 2-3 per cent for several months, largely due to the weak state of world demand.

The slight reduction in the rate of decline in prices in April is attributed mainly to the effect of the stronger dollar in pushing up the cost of US imports.

BRITAIN IN BRIEF

Ultimatum issued on Ulster talks

Mr Peter Brooke, Northern Ireland secretary, has set out his own proposals for resolving the deadlock over "round-table" talks on the province's future – and said he could see no point in continuing if they were not accepted.

His ultimatum to unionist and nationalist leaders in Belfast came after a fifth day of negotiations aimed finding an agreement on the venue for talks including the Dublin government.

Mr Brooke has proposed that talks on relations between north and south Ireland should start in London – perhaps with only a formal meeting. They would then continue in Northern Ireland before concluding in Dublin.

The success of his gamble depends critically on the reaction of unionist leaders.

Lords refer case to Europe

The campaign to stop illegal Sunday trading in England and Wales suffered a serious setback when the House of Lords referred back to the European Court the question of whether the UK's Sunday trading laws are incompatible with European law.

The decision by five law lords, which came on the second day of the appeal by B&Q, the home improvement chain, against a High Court ruling last July that the 1950 Shops Act, which governs Sunday trading, does not contravene the free trade principles of EC law, could delay a final ruling on the issue for up to two years.

Opponents of Sunday trading were dismayed by yesterday's ruling. This follows a decision by the Appeal Court two weeks ago lifting injunctions granted to local authorities against B&Q and Wickes Building Supplies which local authority lawyers claim has made the Sunday trading laws "virtually unenforceable".

GEC-Marconi wins naval deal

GEC-Marconi has won what it considers a crucial battle in the naval sonar business by beating the Franco-British Ferranti-Thomson venture in a competition to study a new system for the Royal Navy.

The planned new sonar is to upgrade the capabilities of Britain's submarine fleet.

Marconi Underwater Systems said the deal involved a "multi-million pound" contract to draw up a project definition.

Arbitration call on tax dispute

The prime minister has been asked to arbitrate in the increasingly bitter row between Treasury ministers and senior Tory MPs over the alleged "double-taxation" of home loans and savings institutions, known in Britain as building societies.

At stake is more than £240m in tax payments and as much as £150m in interest that the societies say should be returned following a House of Lords judgment in favour of the Woolwich Building Society last year.

Influential Tory backbenchers are now pressing Mr John Major to intervene to persuade ministers to drop the controversial Clause 50 in the Finance Bill that seeks to over-rule the Lords' verdict retrospectively.

Aid agency suffers loss

The Crown Agents, the government purchasing agency responsible for aid-financed programmes in the developing world, suffered a sharp £4m fall in gross income to £36.3m last year, according to its annual report.

Mr Peter Berry, managing director, blamed the fall on changing patterns of aid expenditure by the UK, with a larger share of funds going directly to bolster the foreign exchange position of developing countries without specific procurement guidelines. A further factor was uncertainty created by the Gulf crisis which led to an immediate revenue loss of £500,000. The longer term implications for the developing world have not yet been quantified.

St Paul's to charge entrance fee

Tourists visiting St Paul's cathedral in London (above) are to be charged an admission fee for the first time. The move is intended to head off the cathedral's deficit which will this year exceed £400,000. The Very Reverend Eric Evans, the dean, said the charges were necessary to protect the "unforgettable experience" of a visit to Sir Christopher Wren's domed masterpiece. Worshippers entering the cathedral chapel will not be charged.

Bank raids increase sharply

Raids on banks and home loans and savings institutions have almost doubled over the past four years to a total of 1,060 attacks in 1990, according to the Banking Insurance and Finance Union, which is concerned about the security of its members.

Between four and seven office raids take place every working day, the union estimates, with a concentration of attacks in London, Manchester, Birmingham, Avon, and Tyne and Wear.

Nearly all the raids are said by the union to involve real or fake firearms. Bifu has called for an immediate review of the law on shotguns and replica weapons which, it said, were "astonishingly easy to obtain".

Brown: to address CBI

Labour man to address CBI

The Confederation of British Industry's governing council, which meets next Wednesday, will be addressed by a leading spokesman for the opposition Labour party for the first time in recent history.

Mr Gordon Brown, Labour's trade and industry spokesman will next week address the 400-strong council on how Labour's manifesto would affect business.

Mr Brown's appearance is part of a CBI programme in the run up to the general election in which each of the three parties will outline how their policies would affect industry and the economy.

Fall in price of electricity

Competition has cut the price of electricity to large customers by up to 15 per cent, according to the annual report of the electricity industry watchdog, Offer.

The new electricity industry was working well and already had a private sector mentality, reported Professor Stephen Littlechild, Offer's director general.

Staff offered 35-hour week

British Nuclear Fuels has become the first large company in Britain to offer its manual worker employees a 35-hour week.

If employees accept their negotiators' recommendations to accept the offer, the deal would be one of the most significant in a national campaign by unions for a shorter working week.

Most UK manual workers work 39 hours a week. Although several hundred thousand in the engineering sector have won agreements for 37 hours, a campaign by their unions for a further two-hour cut is unlikely to begin before signs of an end to the recession.

Granada faces franchise bid

Granada Television, one of the most famous names in British broadcasting, is to face a serious challenge for its franchise when the deadline for bids closes today.

On the eve of the bidding it became clear that Granada is going to face opposition from a consortium that includes two fellow northern ITV companies Yorkshire Television and Tyne Tees.

The consortium has been put together by Mr Phil Redmond, creator of the television series Grange Hill, whose Mersey Television production company produces the drama Brookside for Channel 4. The bid is also being backed by Barclays Trust International, Trinity International Holdings, the newspaper publishing and printing group and 3i, the investment capital group.

Study says spill effect limited

A spillage of 150 tons of crude oil into the River Mersey from a fractured Shell pipeline in August 1989 did no lasting environmental damage, according to an independent group studying the aftermath.

The spillage cost Shell a total of £7.1m, it was revealed yesterday, including a £1m fine by Liverpool Crown Court last year. The company has also paid £200,000 to fund the study group.

The company has paid £1.4m on the clean-up, operation £2.5m on replacing half the pipeline which fractured, and £2m on sophisticated monitoring equipment to spot future problems in advance.

Bond 'doomed to failure'

The four main shareholders in British Satellite Broadcasting (BSB) argued in the High Court that a damages claim against them by Bond Corporation Holdings, the flagship of Mr Alan Bond, the Australian entrepreneur, was "manifestly doomed to failure".

Mr David Oliver QC, for Granada Group, Pearson (owner of the Financial Times), Reed International and Chargeurs asked Mr Justice Harman to strike the claim out on the ground that it disclosed no cause of action.

The claim relates to attempts by Bond last year to sell its stake in BSB with the benefit to any purchaser of a rights issue that formed part of an agreement for the refinancing of BSB in February last year. The case continues.

Power unions reject pay deal

The threat of industrial action in the power industry was renewed when members of the two largest unions rejected an 8.9 per cent pay offer described by employers as final.

Members of the EETPU electricians' union voted by 13,206 to 10,460 against the offer while members of the AEU engineering union were reported to have voted by 2-1 in ballots which were being counted yesterday.

Mr Doug Rooney, the AEU's national negotiating officer for the power industry said his membership had "convincingly" turned down the proposed deal. He said: "We are on course to vote for industrial action in order to secure a double figure increase."

MANAGEMENT

When the colonial glory wears off

David Lascelles on the problems facing Standard Chartered

Anyone curious about Standard Chartered's origins need only visit the lobby of its City of London headquarters. The walls are covered in old photographs of the bank's branches in colonial times: Victorian piles in places like Shanghai, Kuala Lumpur and Delhi, a shack in the Kenyan highlands, even a tent in the African outback.

But the pictures will shortly be gone. "They no longer fit the image," says an executive.

Few UK banks have had to undergo as wrenching a transformation as Standard Chartered; but management is struggling to shake off old-fashioned attitudes. The questions are: Has Standard Chartered left it too late? and can it still make a virtue of its unique geographical presence?

The recent omens have not been encouraging. Profits in the past two years have been poor, hit by a string of bad debts and problem Third World loans. Last year, the bank had to cut its dividend. But executives insist that appearances belie profound changes which will shortly yield results.

The recovery strategy is being directed by Rodney Galpin, a former Bank of England *official who took over the* chairmanship two and a half years ago.

The bank had been rocked by a succession of crises following Lloyds unsuccessful bid in 1986. When he arrived, Galpin had the option of applying radical surgery to the group and reshaping its network for post-colonial times. But instead, he decided to preserve the basic structures because many were strong franchises in promising markets. He also wanted to get the bank back to basics, and instil a tougher and more businesslike attitude.

Standard Chartered differs from other international banks in that its foreign operations are part of the local scene. In dozens of countries in Africa, Asia and the Far East, Standard Chartered provides retail banking services. The issue is not so much whether these operations amount to a balanced global network but whether the individual markets offer the right prospects.

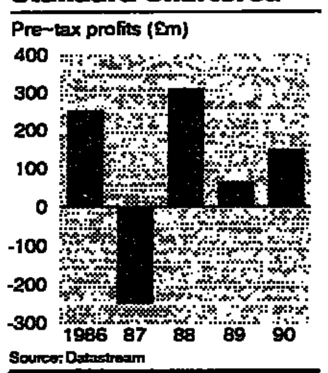
Rodney Galpin (left) and David Moir: potential in Asia Pacific

Galpin believes they do. In Africa conditions may be subject to the vagaries of local *economies and politicians.* But Standard's African business produces a steady stream of profits. There is a similar story in the Middle East and South Asia, though the Gulf war caused major disruptions.

The strongest part of the group is the Asia Pacific Region which contributed over 80 per cent of last year's trading profit of £183m. This includes the flagship operation in Hong Kong where Standard Chartered started in 1859 and where it is now one of the two note-issuing banks with 115 branches. But there are also sizeable operations in fast-growing countries like Singapore and Malaysia, and even China where Standard has 10 offices and branches – the largest of any foreign bank.

David Moir, who holds the new post of chief executive of the Asia Pacific Region, says: "There is enormous potential for Standard Chartered to increase its business base in the Asia Pacific." This will be particularly true if markets like Korea and Taiwan become more open to foreign banks.

Standard Chartered



Source: Datastream

To realise this promise, Standard is having to overcome conspicuous recent failings: complacency which caused it to miss much of the region's dramatic growth, and poor credit controls which brought heavy losses in the Far East, the US and Australia.

Moir wants Standard to become the most profitable bank everywhere it operates. This has required far-reaching management changes. Marketing-orientated bankers from the US have been hired to attack the retail market. Branches have been revamped and equipped with new technology. Unprofitable customers have been dropped, and corporate lending has been reined in where margins were too narrow. More is being made of fee-earning services. New management information systems have revealed where the bank is and is not making money.

But running what amounts to a *string* of separate branch banking operations in different countries requires intensive management. In Malaysia Standard shares what amounts to a local monopoly because no new foreign banks are being admitted and its 35-branch operation is among its most profitable. Alternatively, the authorities will not permit it to open more branches, and the regulatory climate favours domestic banks.

There is also a dichotomy about Hong Kong. It is Standard's largest profit-earner in the Far East and there are few regulatory constraints. But the transfer to China in 1997 poses a serious question mark over long-term prospects.

In the longer term Standard Chartered may also have to address the imbalance of a group which has its headquarters in London and the bulk of its operations abroad. Standard does not earn enough taxable profit in the UK to obtain full relief for all the taxes it pays elsewhere. It might make more sense to relocate – possibly to Singapore.

But Galpin sees this imbalance as "an opportunity", and he is keen for the bank to remain London-based. Once Standard has recovered its strength, he sees it expanding its UK operations, possibly through acquisition. The European end of the group has already been reorganised. Many UK branches have been closed; and its continental operations were sold last year to Westdeutsche Landesbank, with which Standard formed a joint merchant bank.

The culture of Standard Chartered is clearly changing. Galpin's decision to move its Bishopsgate headquarters to more workmanlike surroundings off London Wall last year was evidence of that. But its competitors are still sceptical. "Occasionally they show bursts of marketing enthusiasm," says a leading competitor in the Far East. "But I can remember when they were stronger competition."

Many people in Standard Chartered would probably agree that the bank has seen more glorious days. But they prefer not to dwell on that. This is a time for making *money, not waving flags.* "Over the past six months, I have had a growing conviction that we're doing the right thing," says Galpin.

Previous articles in this series appeared on April 19 and 29.

Slow to capitalise on a valuable franchise

It is 3pm in Petaling Jaya, a sweltering suburb of Kuala Lumpur, and the local Standard Chartered branch is closing its doors for the day. It could be any British high street branch with its rows of tellers serving lines of customers. Upstairs, account officers deal with business clients and process letters of credit.

Nur Baiti Abdul Razak, the sales and services manager, *points out that opening time* has been brought forward to 9.30 am. The extra half hour is to meet competition down the road, she says. The branch also has a special new counter for clients needing personal attention and advice – all part of Standard Chartered's drive to sell more products.

Two thousand miles away in Hong Kong, Rhonda Yu is making a similar push for business in Standard Chartered's Causeway Bay branch. The freshly renovated banking hall is gleaming with the bank's white, blue and green livery. On the wall is a graph showing the branch's performance against the year's targets. It's not doing badly.

Why did she choose to work for Standard Chartered when there are so many banks in Hong Kong? "It's a big name!" she exclaims.

Standard Chartered is a household word through most of the Far East. But it has been slow to capitalise on its potentially valuable franchise. In the mid-1960s it still had only one branch in Hong Kong, and the manager refused a request to open a branch in Kowloon because in his view the customers should come to their bank, not the other way round.

Today, the bank is marketing its services aggressively, using US expertise. Jim Allhusen, who heads Hong Kong retail banking, was trained at Procter & Gamble, and was *president of the Midwest division* of Household Bank before joining Standard Chartered. He recognises the bank's past failings. "But we want to be known as the bank that's getting better," he says.

Corporate alliances

Equal partnerships stand a better chance of success

Guy de Jonquières reports on cross-border relationships

The rapid growth of cross-border corporate alliances, from distribution agreements and collaborative research to equity partnerships, has been one of the most striking features of international business in the past decade.

Yet remarkably little is known for sure about why alliances succeed or fail, how they can be managed most productively and whether they can provide the basis for durable relationships.

Management consultants McKinsey recently set out to answer these questions by studying cross-border alliances, joint ventures and acquisitions involving 150 large US, European and Japanese companies in a broad range of industries. The project covered large deals in effect between 1981 and 1987.

To McKinsey's surprise, it found that just over half the cross-border alliances and acquisitions examined succeeded. That is a higher proportion than has been found by most studies of deals between companies in the same geographic market.

Furthermore, joint ventures in which ownership was split 50/50 had a success rate superior to those in which financial holdings were unequally divided.

The main test of the success or failure of acquisitions was the financial returns generated. In the case of alliances, partners were also asked whether the arrangements met their strategic objectives and improved their competitive position.

The McKinsey study confirms that cross-border acquisitions work best when the aim is to strengthen core businesses. Alliances, on the other hand, can be used to expand in both core and non-core activities. Unlike acquisitions, they can also be used to fill functional gaps or to share costs.

An important pre-requisite for success is that they should marry partners with strong existing positions in different geographic markets.

Failures also occurred when partners were financially weak, lacked the required functional strengths or had incompatible corporate cultures and strategic goals. Joint ventures could be wrecked if the profit expectations of its owners differ too widely.

According to David Ernst, one of the McKinsey consultants working on the project, one of the first points to be grasped when negotiating alliances is that most have a limited life because they are usually formed for quite specific purposes. To survive beyond their typical seven-to-10 year lifespan, their scope and objectives must be broadened.

Firm intention is to buy out partner

Companies should decide at the outset whether they want to end up as the "buyer" or the "seller" of a partnership and shape their approach to structuring and managing it accordingly. Of 18 terminated alliances studied, more than three quarters were purchased by one partner, while the rest were either sold to a third party or dissolved.

McKinsey finds that most Japanese companies enter international alliances expecting them to last for less than 10 years, and with the firm intention of buying out their partners. But western companies are less clear about their ultimate objectives and often end up being bought out by Japanese partners.

Ernst also emphasises that because alliances must meet the interests of separate companies, they are inherently more unstable than acquisitions. Getting them right requires substantial investments of top management time.

McKinsey has identified a number of basic ground rules to be observed when embarking on cross-border partnerships. They include:

- Do not attempt to negotiate the financing and control of a proposed alliance until its business logic has been fully agreed. Bargaining over price should be left until last because it is an adversarial exercise which inhibits companies from sharing information.
- Aim for 50/50 ownership wherever possible, to ensure that both partners are fully committed. Of the joint ventures studied, 56 per cent succeeded when ownership was equally divided, compared with only a third of those with an uneven shareholding split.
- However, even where ownership is equally divided, one partner should be clearly responsible for ultimate management control. The McKinsey study found no instances of a successful joint venture where management control was shared evenly between the owners.

Control should be channelled through a strong chief executive in the joint venture, with considerable operating autonomy. Joint ventures should also have strong boards, able to insulate them from conflicts between their parents.

- Recognise that teething troubles are likely, usually in the first two years. Typically they include reluctance by lower level managers to contribute to an alliance; differences over internal transfer pricing policies and poor communications between product development staff in one partner and marketing staff in another.
- Set up effective mechanisms for resolving conflicts from the outset. These will often require direct involvement by chief executives of the partner companies, who should be prepared to devote considerable time to ensuring that co-operation develops smoothly.

That underlines the study's central finding – that alliances depend on the degree of commitment by the partners to making them work. Those which meet their goals do so because both sides derive benefits from them. "Very few deals end in success for one partner and failure for the other," says Ernst.

BUSINESS AND THE ENVIRONMENT

UK takes the show to Japan

The Japanese are studying a successful UK scheme which encourages business to work with government and local communities to rehabilitate industrial waste lands.

At the end of this month a delegation from the Groundwork Foundation, a Birmingham-based charity, begins a two-week tour of Japan as guests of the Centre for Environmental Information Science in Tokyo.

"The Japanese are interested to hear more about our efforts. We are keen to understand better the Japanese environmental problems and how they are tackling them. We will also find out if we can be of help to them," says John Davidson, Groundwork's chief executive.

The chrarity was set up in 1981 by Michael Heseltine, the UK environment secretary, *during his first stint in the job.* It was founded on the principle that such groups should have an entrepreneurial structure *and spirit.*

Groundwork has been involved in thousands of successful projects over the past *10 years. The scale of its activities* ranges from helping young people clear fly-tipping from a Manchester council estate to the establishment *of a commercial* trout fishery in a worked-out claypit alongside polluted land near Liverpool.

All of the projects involve a partnership of local business, government bodies and voluntary groups. Groundwork operates as a consultancy to co-ordinate the various parties.

While local and central government provides most of the money to fund the projects, industry plays an important role by providing equipment and resources. IBM has installed computers to make Grounwork's administration more efficient. Companies such as Esso, NatWest, British Gas, Ciba Geigy, Shell, Pilkington and Marks and Spencer have provided staff on secondment.

Groundwork's success in the UK is now being duplicated on the Continent with projects set up in France and the Netherlands. The Japanese are hoping to establish a Groundwork pilot project by *1994.*

Peter Knight

A very profitable practice

Robert Rice describes how lawyers are capitalising on environmental legislation

Lawyers have never been popular figures. Rightly or wrongly they are perceived as making a living out of other people's problems.

In the United States, where a national environmental clean-up programme, known as Superfund, has just celebrated its 10th birthday, environmental lawyers are finding themselves accused of cashing in on the country's pollution problems.

Superfund was set up under the 1980 Comprehensive Environmental Response, Compensation and Liability Act. The programme is designed to identify and organise the clean-up of thousands of toxic waste sites across America and to recoup the cost from industrial polluters.

As the programme begins to bite, US industry has started to complain vociferously about having to meet the burgeoning costs of cleaning up the mistakes of previous generations.

Together with the insurance industry it is lobbying Con*gress for a change in the basis* of Superfund liability. And in an attempt to win popular support for its campaign it has *decided to attack the only* group which appears to be making money out of the drive to clean up corporate America – *the lawyers. The campaign* message is blunt: "Somebody's cleaning up, but it's not the environment."

There is no doubt that environmental law is now big business. Law firms, never slow to spot the chance to make a fat fee, have seized the opportunity offered by the rise in environmental issues with both hands.

Jim Rogers, partner at US law firm Skadden Arps Slate Meagher & Flom, has been practising environmental law since the early 1970s. When it first became recognised as a separate discipline, he says, you could put all the environmental lawyers in America into a small hotel ballroom.

Twenty years on, more than 22,000 lawyers are registered with the American Bar Association as environmental law specialists. The big surge in their number came in 1985 as Superfund began to increase significantly the number of sites requiring clean-up. Law firms which had one or two environmental lawyers suddenly had 10 or 20.

Between 1980 and 1984 the Superfund legislation had little impact. But by 1985 the staff to run the US Environmental Protection Agency and the regulations to drive the Superfund programme were in place. Industry suddenly woke up to the realisation that it could easily find itself on the wrong end *of a multi-million dollar* clean-up bill.

Cautionary tales have by now become common place. In *1988 Occidental Chemical,* a subsidiary of the oil giant, was ordered to pay the $260m clean-up costs of a toxic land*fill site in New York state* which had been used by Hooker Chemicals and Plastics during the 1940s and 1950s to *dump dioxins, even though it* did not take over the Hooker Corporation until the 1960s.

The EPA is currently trying to force General Electric to pay the $280m cost of dredging 500,000 pounds of PCBs which the company dumped in the Hudson River between 1945 and 1977.

Faced with costs like these industry has begun to look for more and more parties to share the financial burden.

The Superfund legislation gives the US government the right to force all potentially responsible parties (PRPs) to pay for the clean-up of contaminated sites. PRPs include the current toxic site owners, past owners and anyone who has generated or transported waste to a selected disposal site. *There can be hundreds of PRPs* for one site.

Large corporations targetted by the EPA have begun to launch a *welter of third-party* actions against smaller PRPs, such as municipal authorities and smaller businesses which *have sent domestic waste to* sites already contaminated by factory waste.

In California, for example, *officials from 29 cities are* currently fighting a lawsuit by oil and chemical companies that want them to pay as much as *90 per cent of the $800m* clean-up costs for contaminated sites near Los Angeles.

Superfund has only just begun to scratch the *surface* of the clean-up problem. Of the 1,236 contaminated sites placed on the Superfund national priority list, clean-up has been completed at 63. Only 29 sites have been deleted from the list as the long-term effectiveness of the work has been verified.

The pace of the Superfund programme is picking up, however. Emergency action to remove immediate threats has *been taken at 423 sites. Investi*gation is under way at 504 sites and clean-up work under way at 272.

But as chemical analysis becomes more sophisticated pollution is being detected in ever smaller amounts. The con*sequence is that 31,904 sites* have now been identified for possible inclusion on the Superfund priority list and more are bound to follow.

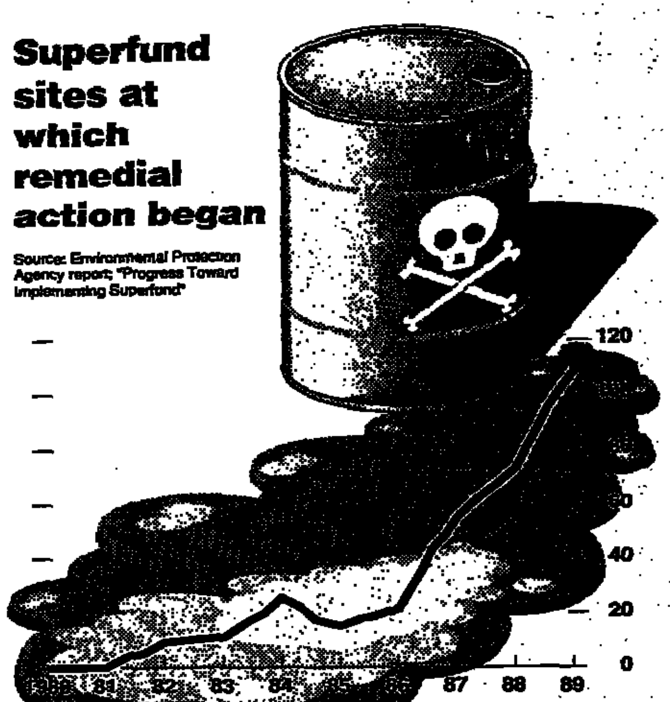
In the UK, the increase in the number of environmental lawyers has been no less dramatic. In 1986 when two academics, Andrew Waite, now with City solicitors Linklaters & Paines, and Stephen Tromans, now with City Solicitors Simmons & Simmons, started the UK Environmental Lawyers Association it had just 47 members, most of them fellow academics. By March 1990 membership had risen to 800 and today it stands at more than 1,100, 95 per cent of whom are in private practice.

Many of those claiming to be environmental lawyers are planning lawyers or conveyancers or company lawyers wearing a different hat but offering the same advice. The volume of genuine environmental work is small except for firms with long-established clients in the energy, water and waste disposal fields.

The regulatory work is bound to increase, however, and much of the impetus will come from Europe. The draft Civil Liability for Waste directive, which threatens a regime for Europe not dissimilar to Superfund in the US, is locked in a battle between the European Parliament and the European Commission, but must become law eventually.

There is a draft Landfill directive governing the control and monitoring of toxic waste sites which should be adopted shortly. Registers of contaminated land are to be compiled in the UK. Part I of the Environmental Protection Act is being phased in from April.

When transactional work picks up and the property market recovers environmental law promises to be every bit as profitable for the UK profession as it has been for the Americans.



City solicitors Denton Hall Burgin & Warrens have agreed to sponsor a professorship in environmental law at the Imperial College Centre for Environmental Technology (ICCET) in London.

This will be the first chair in environmental law in the UK. Denton Hall will put up £250,000 over five years to fund the post and an appointment is expected to be made later in the year.

ICCET is seen by many environmental consultancies as the leading UK centre for training in environmental management. It was established in 1977 as the first inter-disciplinary centre within Imperial College. It has flourished in recent years as environmental issues have gained increasing political attention.

***ICCET* offers a pioneering one-year *MSc* course, combining scientific disciplines with law, policy and economics, and draws students from all over the world. It also has a PhD and research programme. Staff are extensively involved in commercial consultancy and in advising parliamentary committees, government departments, and European and non-governmental organisations.**

John Salter, chairman of Denton Hall's Environmental Law Group, said that the sponsorship of the chair demonstrates the firm's commitment to environmental law, an area that is expanding "almost as rapidly as our awareness of increasing environmental problems".

With regulations covering increasingly complex issues, he said the firm sees advantages in nurturing ICCET's "rigorous academic excellence and legal training in environmental science and technology".

Chris Clarke

Green threads at John Heathcoat

By Alice Rawsthorn

Ever since 1808 when its founder fled from the Luddite gangs in Nottingham, John Heathcoat has been manufacturing textiles from a mill in the picturesque town of Tiverton on the River Exe in Devon.

A few years ago the local community became concerned about the coloured effluent being discharged by Heathcoat from its dyehouse into the Exe. The company has since invested £500,000 in a precipitation treatment plant to ensure the effluent is treated *before* it goes into the river.

So far the new plant has worked *reasonably well,* although Heathcoat is making some modifications which will cost at least another £60,000. *The bottom line* is that Heathcoat, a small private company, is incurring substantial costs in its efforts to become environmentally responsible.

Heathcoat is one of the growing number of textile companies investing heavily to make its production process less damaging to the environment. As the level of environmental regulation increases, so will the cost of compliance. A new report* from the Economist Intelligence Unit (EIU) suggests this will create a major challenge for the international textile industry in the 1990s.

Textiles, like every other sector of manufacturing, is under pressure on the environmental front to be more economical in its use of water and energy. However the industry also faces particular problems in the areas of fibre processing, dyeing and finishing.

Perhaps perversely the problems in processing are concentrated among the natural fibres, such as wool and cotton, which are bio-degradable and generally seen as environmentally "friendly", rather than on man-made fibres, like acrylic and polyester.

The cleaning and de-greasing of wool involves the release of damaging waste substances. The washing of cotton involves using aqueous alkalis or solvent de-waxing. By contrast acrylic fibres are produced from a concentrated solution of polymers in a recyclable solvent. Polyester and polyamide fibres are melt-spun, so no effluent is produced.

Dyeing also poses problems. Soluble dyes and toxic substances from dye auxiliaries tend to pollute waste water. The red dyes in the effluent from John Heathcoat were so strong that they coloured the water in the River Exe. Oilily, the Dutch children's wear manufacturer, has already started using natural dyes made from flowers and minerals. Ciba Geigy, the Swiss chemicals group, has withdrawn a number of its dyestuffs from the market.

In recent years the textile industries in North America and Europe have faced mounting restrictions concerning the use of pollutants in the production process. This has inevitably imposed higher costs on manufacturers. As the level of regulation increases, the costs could become even higher.

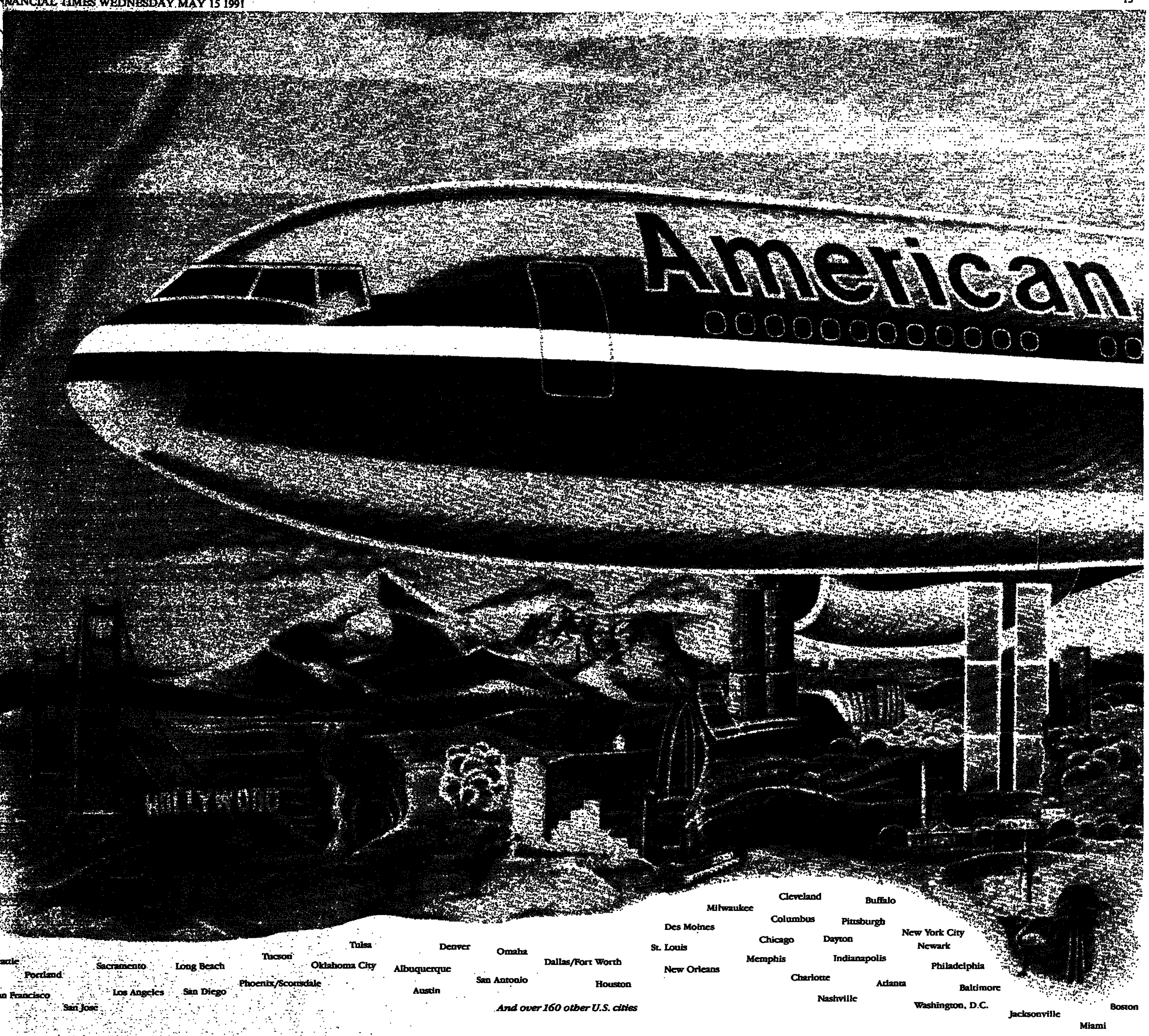
One of the chief concerns of North American and European textile companies is that, if the level of environmental regulation continues to increase, they could become less competitive against their Third World counterparts benefiting from lower costs in a less regulated environment.

There is already evidence of some companies withdrawing from certain sectors of textile production because of higher costs. One US group recently pulled out of viscose because of the cost of complying with the Environmental Protection Agency's guidelines.

In the longer term higher costs could prompt companies to transfer production to lightly regulated countries. A number of Hong Kong textile companies have moved production to China and have cited environmental regulation as one of the reasons for the change.

The EIU suggests this problem could be alleviated if responsibility for environmental regulation applied to retailers – who would have a "duty of care" to ensure that their merchandise has been manufactured in an environmentally responsible way – as well as to manufacturers.

**Textiles and the Environment. Published by the Economist Intelligence Unit, 40 Duke Street, London W1A 1DW. Price £195.*



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From: Heathrow					
To:	Boston	12:00	14:25	109	2 July 1991
	Chicago	09:55	13:00	87	2 July 1991
	Chicago	13:45	16:25	47	2 July 1991
	Los Angeles	10:30	14:30	137	21 July 1991
	Miami	10:00	15:10	57	2 July 1991
	Newark, NJ	11:00	14:25	115	2 July 1991
	New York (JFK)	09:00	11:50	101	2 July 1991
	New York (JFK)	11:30	14:20	105	2 July 1991
	New York (JFK)	18:00	21:00	107	2 July 1991
From: Gatwick					
To:	Chicago	10:05	13:20	87	13 June 1991*
	Chicago	13:25	16:40	47	2 June 1991*
	Dallas/Fort Worth	10:40	14:50	51	Current
	Dallas/Fort Worth	13:00	17:25	79	Current
	Miami	10:00	15:05	57	Current*
	New York (JFK)	12:15	15:15	7	21 July 1991
From: Manchester					
To:	Chicago	10:25	13:00	55	Current
	New York (JFK)	12:00	15:00	93	2 July 1991
From: Glasgow					
To:	Chicago	13:30	16:00	53	Current

*From Heathrow as of 2 July 1991.
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ARTS

Gingerly, the sun comes out in Cannes

The last shot of Akira Kurosawa's new film *Rhapsody In August* shows an old Japanese woman struggling through wind and rain holding high a broken umbrella. We at Cannes 1991 know how she feels. We have breasted the foulest weather seen in these parts since the great flood. Critics have entered the Ark of the festival palace two by two, in order to stay upright or to share battered brollies. Out on the streets, wading through puddles, we hold high our word-processors.

On day one jury president Roman Polanski instructed his team, including Whoopi Goldberg and Alan Parker, to judge every film on its entertainment value. This precept would make life laughably easy for everyone. First two days of the festival: no entertainment value at all. In the giant Lumiere Theatre 1500 soaked film-viewers watched Karen Chakhnazarov's *Assassin Of The Tsar*, a muddy-hued Russian talk-piece with Malcolm McDowell as a schizophrenic who thinks he killed Nicholas II; Patrick Bouchitey's *Cold Moon*, a French buddy film of connoisseur torpor; and Werner Schroeter's *Malina*, in which Isabelle Huppert plays a manic depressive whose life is falling apart in much the same way as the film.

Then, gingerly, the sun came out and so did the films. The largest crowds swelled at the foot of the steps to the Salle Debussy, home to Cannes' counter-culture event, the Directors Fortnight. This kicked off with a spry Australian melodrama called *Proof* and then mounted a lively goalmouth attack with America's *Paris Trout*. Grand old American hippie Dennis Hopper arrived to introduce this controversial murder thriller, in which he plays a Southern bigot fond of shooting black women and abusing his wife Barbara Hershey. Steven Gyllenhaal's directing debut is moody, nasty and elegant, though more work might have been done in the motivation deparment.

Back in the Lumiere, wonders began to start. Kurosawa's *Rhapsody In August* is a tender tragicomedy about a Japanese family haunted by memories of Nagasaki. Like the water snake that thrashes towards the four young children in one picnic-by-a-waterfall scene, the past has a venomous hidden life. The film is about tensions between generations and nations – Richard Gere floats through as an American uncle – and its plain, domestic mise-en-scène makes doubly effective the outbreaks of surrealism. A giant celestial eye opening in an H-bomb burst; two lightning-blasted trees haloed in a forest clearing, like ghostly lovers.

But the early Golden Palm favourite is a Danish-German-Swedish co-production called *Europa*. What sounds like a recipe for a nightmare Euro-pudding – mixed-nation actors teamed in a tale of postwar chaos set in 1945 Germany – turns out to be a sumptuous smorgasbord of style.

Writer-director Lars Von Trier made the Borgesian thriller *The Element Of Crime*, a coterie hit at Cannes in 1984. This is madder and more magnificent. An innocent American (Jean-Marc Barr) takes a railway job in a Europe trying to reconstruct itself. But recent German guilts weave shadow-patterns and weird chromaticisms in hero's mind and movie's images. Flecks of colour spatter the dominant monochrome; rearing crane-shots defy gravity and ceilings; multi-projection techniques show characters speaking to filmed images of their companions; and exteriors are a blitzkrieg'd wonderland of rubble and girders, pockmarked mansions and reeling monuments. In the anniversary year of *Citizen Kane*, Von Trier has rediscovered some of the visual conjuring tricks that made Welles's film so exciting.

Britain, which bowed out late from the Competition by withdrawing Peter Greenaway's *Prospero's Books* (work is still in progress), displayed two eye-catching films in sideshow events. *Young Soul Rebels* is like a fairground whirligig run amok: a tale of ethnic London shot in rainbow hues, in which two young black DJs fight racism, philistinism and a mystery killer. One of the DJs is gay, whereby hang the startlingly candid love scenes. The British Film Institute, who produced the film, also unleashed the recent, uncut *In The Realm Of The Senses*. Are they now our leading crusader against Aunt Edna?

More sex, this time incestuous, in Stephen Poliakoff's Channel 4-produced *Close My Eyes*. Saskia Reeves and Clive Owen are the love-torn siblings in Poliakoff's best film to date, scripted with the diamond obliquity of Pinter and graced with a wickedly funny performance by Alan Rickman as Reeves's languid hubby.

All that is now missing at Cannes is the annual convoy of major American stars plus major American films. Gulf War nerves are said to have caused the absence of any top Hollywood movie in the competition. Only US entry seen by me to date: Irwin Winkler's *Guilty By Suspicion*. Here a curly-headed Robert De Niro plays the McCarthy witch-hunt victim in a drama about the UnAmerican Activities crack-down in 1950s Hollywood. Alas, a firecracker subject is treated with damp reverence, more like a TV problem-of-the-week film.

Still in prospect, films by David Mamet and Spike Lee. But few front-of-camera movie *glitterati* seem likely to arrive this year to brave the flashbulb-and-red-carpet treatment. As compensation a famous blonde singer is cutting a celebrity swathe through town, promoting her feature documentary *In Bed With Madonna*. More when I have bumped into it and/or her.

Nigel Andrews

Mad and magnificent: scene from Lars Von Trier's 'Europa'

TELEVISION

Uncivil wars

At the beginning of last week's episode in Channel 4's six-part series *Civil War*, about the events in 17th century Britain, historian Richard Holmes said: "I think it's easy to get at least a feel for the reality of 20th century war. After all, our fathers, perhaps, fought in the Second World War, our grandfathers in the First, and there's an abundance of diaries, memoirs, film, photographs ... so we can begin to grasp the experience of battle. But when you go back to the 17th century it's awfully easy to get hooked on the inessentials: to see figures in bucket-top boots and plumed hats, and not to get beyond that ... to let the romanticism and veneer conceal from us the dreadful realities of what went on in the smoky and dangerous and terrifying world of 17th century battle".

It is a persuasive and in some respects convincing argument. Yet even though Holmes was speaking for the camera of television producer Taylor Downing, I suspect he was doing so in a pre-television frame of mind. Whatever the people in dusty rooms at Pembroke or St Catherine's may believe, television is changing history, or anyway our perceptions of history, because of the manner in which it is able to convey it. It is probably changing the number of people who take an interest in history, too, and, most radically of all, the heritage we shall pass to our children and grandchildren. But we shall return to that.

By chance Channel 4's series about the British civil war has coincided with BBC2's screening of *The Civil War*, about the American event in the 1860s. The differences have been striking. The American series has looked just about the simplest form of documentary imaginable: historians speak to camera, and we see maps and drawings interspersed with modern footage showing the countryside and sometimes the towns which, 130 years ago, were the battlegrounds. American folk songs have been used as a connecting ribbon throughout.

The great strength of this series, however, comes from the photographs. The Victorians were not only enthusiastic photographers, they used processes producing inherently beautiful objects (many of which, incidentally, will last much longer than today's snaps thanks to the high silver content in 19th century prints) and the series exploits them admirably. Confederates and Unionists alike gaze out at us, usually with serious expressions, somehow made more poignant by the sepia tint with all its associations. Readings from letters or diaries often accompany the pictures.

The habit of starting such sequences with a closeup on the soldier's belted midriff and panning slowly up to the face is irritating, but the power mentioned by Holmes emanating from this contemporary material is undeniable.

Obviously no photography was possible during the British civil war, and according to the Holmes thesis it should be far more difficult for television to convey the experience of that event. Yet, thanks to Downing and director David Edgar, a remarkably vivid impression has been achieved.

Once again we have film footage, this time showing the countryside around Edgehill or Marston Moor as it is today, and where the Americans had their many photographs there are occasional oil paintings, especially of the royalists. But the "smoky, dangerous, and terrifying world of 17th century battle" comes across graphically via film of (presumably) those societies which exist to dress up and re-fight the battles of the civil war. Those pictures, combined with a good verbal description of exactly how nasty it was to participate in a fight with pikes, leaves the viewer with a pretty clear idea of what it must have been like.

Regular readers of this column will be familiar with the belief that in programme making what often matters most is not technique but intent. That is surely as true with history as with, say, current affairs (which, anyway, simply means very recent history).

At one stage in last week's British civil war programme colour film of the Naseby countryside faded to black and white and we cut to a monochrome film clip showing a battlefield burial from the First World War; perhaps not a practice of which an academic historian would approve, but one which delivered its message very effectively. The availability of contemporary film or pictures is not necessarily crucial, though admittedly without letters, diaries and other written documents, history from that period would be pretty well lost to us.

Given my willingness to accept the re-staged battles and the anachronistic use of First World War material in *Civil War*, why should I have felt so much more doubtful about the use of reconstruction in this week's *Panorama*? Here we had yet another revelatory spy scandal from the Cold War years, this time from the US. The reporter was Tom Mangold, a dependable television journalist of the old school with the chutzpah of a Desmond Wilcox, and his subject was the CIA counter intelligence chief James Angleton. While there are newspaper cuttings, press photos, and even a few bits of newsreel featuring the spies that Angleton dealt with, there is no film of Angleton himself at work, since he did a desk job in an office building.

Producer Jenny Clayton decided to bridge the gaps with "reconstructions" and screened them in black and white, with the sort of histrionic lighting made famous by the Warner Brothers gangster movies of the 1940s. You could argue that, although the Americans started shooting colour newsreels in World War 2, her stylistic anachronism served to mark the separation between real documentary footage and reconstructions. The uneasiness comes from the fact that while pictures of Angleton working may have been desirable they were not vital, and the reconstructions, complete with mood music, served mainly to reinforce the atmosphere that Mangold was so clearly keen to convey, of "obsession, paranoia and betrayal".

The crucial difference between the history in *Civil War* and in *Panorama* was not the 300 year difference in the dates, but the contrast in intent. *Civil War* gave the impression that its makers wanted to convey as accurate a picture of events as possible, leaving us to decide about the rights and wrongs or the character of those involved. *Panorama* on the other hand seemed much more interested in ensuring that we thought Angleton a bad egg. Perhaps Mangold and Clayton are right in their estimate of character (though I for one am sick and tired of today's obsession with Cold War spies) but it is always better to give the viewers as comprehensive a picture as possible and let them make up their own minds.

That was the technique in two programmes on Sunday evening: Michael Cockerell's *Bunkum And Balderdash* on BBC2, about Bernard Ingham's work as Margaret Thatcher's press officer; and Catherine Seddon's account of recent events in Lithuania, "You Can't Shoot The Truth", on BBC1's *Everyman*. Here were two invaluable chunks of very recent history, the sort of television which will mean a dramatic contrast between the historical source material our generation inherited and what we shall pass on to our children. Cockerell constructed his programme by running videotapes of notorious events past Ingham and having him comment on them, so that the viewer sees such famous incidents as the rows over Prior, Heseltine and Howe and then hears Ingham's own version of his part in them, complete with choked-dog sound effects and Dan Dare eyebrow exercises. The historical value is not necessarily greater than that of "diaries, memoirs, film, photographs", but it is surely as great.

Much of *Everyman's* footage showing the brutal suppression of Lithuanian nationalism by Russian tanks and soldiers seemed to be amateur video, but none the worse for that. On the contrary, when our grandchildren watch it, there will be precious little chance of them becoming "hooked on inessentials" or feeling that the "dreadful realities" have been concealed from them. Television's precise contribution to history is incalculable but surely very large.

Christopher Dunkley

The English Civil War recreated on Channel 4

Same Old Moon

GLOBE THEATRE

After having seen the first part of *Same Old Moon* at the re-opening of the Oxford Playhouse last month, one went to its arrival in London with the heart somewhere between the knees and the boots. Yet it is amazing what hard work and a better stage can bring. This is not another *Dancing at Lughnasa*, and not only because Geraldine Aron does not write as well as Brian Friel – it would be hard to do that. Ms Aron's piece also lacks the imagination and the ability to create a world on its own that are so conspicuous in *Dancing*. But, seen at the Globe, it is not a bad play.

The Oxford theatre is cramped and box-like, perhaps fatally so. The Globe has space enough to illustrate the title. The moon shines on Dublin, Galway, London and such faraway places as Rhodesia (as Zimbabwe then was) and Australia. The question is whether it is always the same moon.

One answer is given by the Irish barman who turns on the wireless and hears of the Japanese attack on Pearl Harbour. "Always the same old news," he says in disgust as he turns it off. In other words, it depends on the way you look at it.

Brenda, now beautifully played by Gabrielle Reidy with a confidence that the same actress did not have in Oxford, is catholic, Irish, and wants to get away and write. She has a father who appears to dislike her. Almost on his deathbed he confesses it is because they are too similar. He admires her, however, because unlike him she does not think that it is always the same old moon. She goes off and does things.

The play has some strong vignettes. A nun demonstrates to Brenda the act of procreation with a phallus-shaped biscuit and a doughnut. Brenda exchanges one of her first kisses in return for a ride on a bicycle: it is the bicycle that gets bent and broken. Best of all is the letter from the Vatican in response to Brenda's appeal to the Pope. It is signed by Monsignor Flaherty who adds in brackets "formerly Martin Flaherty" of a road in Galway.

There are also some clichés: too many attempted jokes about sex and catholicism. It is not particularly funny that Brenda's father (played by James Ellis and looking curiously like Sir Bernard Ingham) should adopt all the prejudices of an Alf Garnett when he arrives in London, complaining about Pakistanis running the hospital and Jews running the country.

A longish sequence which is devoted to what happens to women when they start wearing a dressing gown must have been played at least a dozen times before, though I suppose it has a twist at the end: it is the fear of the same old dressing gown that spurs Brenda on again.

For my taste it is too Irish, sentimental and maudlin, but others may well like it and Jenny Killick's direction has improved beyond measure since Oxford.

Malcolm Rutherford

Music at the Brighton Festival

Tilson Thomas and the LSO drew a larger audience to the Dome for their Ruggles-Mahler programme on May 12 than the BBC SO had done a week earlier. No doubt the conductor's TV appearances and almost everybody's favourite composer deserve equal credit for filling the house. The performance of Mahler's Ninth Symphony (familiar, I imagine, to London concert-goers) was gripping: I have seldom heard so few coughs from so large a British audience on a cold spring evening.

It was instructive to hear in close-up – the Dome's acoustics, though by no means deadening, do nothing to blend orchestral colours – how Mahler gradually pulls together half-formed phrases and broken textures and how those textures threaten to disintegrate again. It may have been because the whips and scorpions were out to such effect in the second (Ländler) movement that the following rondo-burlesque was less searing than usual and the comparative relief half-way through correspondingly less convincing.

There was admirably assured playing in the exposed, sustained pages at the end of the outer movements. Nevertheless, when all the bitter clamour and drenching lamentations were over, one still remembered the small, distant voice of Carl Ruggles, whose *Angels* for brass (muted trumpets and trombones) opened the concert. Such visiting cards are in danger of slipping from the memory. Ruggles's brief hymn, the long lines so packed with feeling that they seem paradoxically knobbly, did not do so.

In the Friends' Centre in Ship Street, Gwendolyn Mok opened her piano recital with Barber's *Excursions*, wisely cushioning them from a masterly reading of Bartók's 1926 Sonata with the *Fantasiestücke* of Schumann. Curiously enough the Barber pieces, whose language is outwardly at least conventionally pianistic, turned out to be the only one of the four American works I heard at the Festival during which it felt a disadvantage not to have been there – one lacked the key to these intriguing scenes.

Shura Cherkassky's recital at Glyndebourne transformed with his wizardry a horrible May afternoon. Bach and Schubert, clear as spring water, alive and intelligent in every bar, were as incisive as the slow movement of Prokofiev's Sonata No. 7 and, as an encore, a Liszt *Consolation* were warmly poetic.

The American offering in this programme, and a welcome one, was Bernstein's piano arrangement of Copland's *El salón Mexico*, which revealed itself as first cousin to another piano piece of uproarious urban low life by Albeniz - "Lavapiés" in the third book of *Iberia*.

Ronald Crichton

INTERNATIONAL ARTS GUIDE

TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Claus Peter Flor conducts Royal Concertgebouw Orchestra in Shostakovich's Tenth Symphony and Brahms' Double Concerto, with soloists Jaap van Zweden and Godfried Hoogeveen, also tomorrow. Sat: concert performance of Lucrezia Borgia, with cast led by Nelly Miricioiu (6718 345)
Muziektheater 20.15 Hamburg's Thalia Theater presents Robert Wilson's The Black Rider, also tomorrow (6255 455)

■ BERLIN

DANCE
Staatsoper unter den Linden 19.00 Egon Bischoff's production of Swan Lake, repeated tomorrow (2004 762)
Komische Oper 20.00 Tom Schilling's ballet Wahlverwandtschaften, music by Schubert (2292 555)
MUSIC
Deutsche Oper 19.30 Il trovatore with Rebecca Copley as Leonora and Giorgio Lamberti as Manrico, also Sat. Tomorrow: Faust with Neil Rosenshein and Inga Nielsen. Fri: Aida. Sun: Götterdämmerung (3410 249)
Schauspielhaus 20.00 Hartmut Haenchen conducts CPE Bach Chamber Orchestra in Bach and Haydn programme, with Jochen Kowalski alto soloist. Tomorrow: Weimar Staatskapelle plays Bruckner and Prokofiev. Sun: Tennstedt conducts Mahler (2272 261)
Philharmonie Kammermusiksaal 20.00 Vovka and Vladimir Ashkenazy join members of the Berlin Radio Symphony Orchestra for a programme of chamber music by Brahms and Schumann. Tomorrow: dances and songs from the Middle Ages. Fri: Philharmonic Wind Quintet plays music by Milhaud, Ibert and Koechlin (2614 383)

■ BONN

Oper 20.00 Michael Boder conducts Jean-Claude Riber's new production of Pelléas et Mélisande, also Sun. Tomorrow and Sat: Falstaff with a cast led by Juan Pons, Barbara Bonney and Hakan Hagegard. Fri: Vaclav Neumann conducts The Bartered Bride (773667)

■ BRUSSELS

Monnaie 19.00 Guido Johannes Rumstadt conducts Karl-Ernst and Ursel Herrmann's production of Die Zauberflöte, also Fri, Sat and Sun (219 6341)

■ GOTHENBURG

Konserthuset 19.30 Jiri Belohlavek conducts Gothenburg Symphony Orchestra in music by Dvorak and Janacek, plus the Flute Concerto by the Danish composer Vagn Holmboe (b1909) with soloist Gerard Schaub. Repeated tomorrow (167000)

■ HAMBURG

Staatsoper 19.00 Achim Freyer's production of Dieter Schnebel's new music theatre piece Vergänglichkeit (Transitoriness), based on texts by Hebel and Kleist. Runs till Mon (351555)
Deutsches Schauspielhaus 19.30 Michael Bogdanov's production of Romeo and Juliet. Fri and Sun: Hamlet (248713)

■ LONDON

DANCE
Covent Garden 19.30 David Bintley's new full-evening ballet Cyrano with a score commissioned from Wilfred Josephs (240 1066)
Sadler's Wells 19.30 Birmingham Royal Ballet give premiere of new ballet by William Tuckett, plus works by Ashton and MacMillan, also tomorrow and Fri (278 8916)
MUSIC
Coliseum 19.00 Jonathan Miller's production of Don Giovanni, with Stephen Page in title role. Tomorrow: Peter Grimes. Fri: world premiere of Stephen Oliver's new opera Timon of Athens. Sat: The Cunning Little Vixen (836 3161)
Royal Festival Hall 19.30 James Blair conducts Young Musicians Symphony Orchestra in Blue Danube Waltz, Bolero and Rhapsody in Blue. Fri: Charles Mackerras conducts Dvorak. Sat: David Atherton conducts concert performance of Britten's Gloriana (928 8800)
Queen Elizabeth Hall 19.45 Gregory Rose conducts Mozart and Martinu with London Concert Choir. Tomorrow: Michael Nyman quartets (928 8800)
THEATRE
Diana Rigg is back on the London stage playing Cleopatra in John Dryden's All For Love at the Almeida. At the Young Vic, Judi Dench is starring in Sean O'Casey's satirical comedy The Plough and The Stars, set in the Dublin tenements on the eve of the Easter Rising of 1916. The Old Vic has Carmen Jones, Oscar Hammerstein's musical update of Bizet's opera, directed by Simon Callow. The Royal Court is running Caryl Churchill's play Top Girls, a study of brilliant women of history in the context of their not-so-brilliant modern sisters. For more information, ring Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MILAN

Teatro alla Scala 20.00 John Cranko's ballet The Taming of the Shrew, also tomorrow, Sat and Sun (7200 3744)

■ MUNICH

Staatsoper 19.00 Donato Renzetti conducts Ponnelle production of L'Italiana in Algeri, with cast led by Lucia Valentini Terrani and Simone Alaimo. Tomorrow and Sun: Otello with Rosalind Plowright as Desdemona. Fri and Sat: Cinderella choreographed by Riccardo Duse (221316)
Philharmonie 20.00 Michael Luig conducts Munich Philharmonic Orchestra in Mahler's Fifth Symphony, with Elena Baschkirova soloist in Mozart's Piano Concerto No 17, repeated tomorrow and Fri. Also at 20.00 in Carl-Orff-Saal: Heinz Holliger conducts Ensemble Modern (48098 614)
Herkulessaal der Residenz 20.00 Christoph Stepp conducts Munich Symphony Orchestra in new work by Wilfried Hiller, plus music by Strauss and Mozart. Tomorrow: New Belgian Chamber Orchestra plays Mozart and Haydn (299901)

■ NEW YORK

Metropolitan Opera 20.00 American Ballet Theatre triple bill, including Balanchine's Ballet Imperial, also tomorrow. Fri and Sat: La Bayadère (362 6000)
New York State Theater 20.00 NY City Ballet triple bill, with works by Peter Martins, Jerome Robbins and Balanchine. Daily performances except Mon till June 30 (870 5570)

■ PARIS

TMP-Châtelet 20.30 Semyon Bychkov conducts Orchestre de Paris in Prokofiev's Alexander Nevsky with soloist Marjana Lipovsek, Mozart's Sinfonia Concertante for violin and viola with Anne-Sophie Mutter and Bruno Giurana, plus a new work by Jan Maresz. Repeated tomorrow (4028 2840). Tonight at 19.00 in the Chatelet Auditorium, the Talich Quartet plays string quartets by Janacek, Martinu and Brahms
Théâtre de la Ville 20.30 Japanese dance programme choreographed by Ushio Amagatsu, runs till Fri (4274 2277)

■ ROME

Teatro dell'Opera 20.30 Marcello Panni conducts Piccinni's Iphigenie en Tauride with Katia Ricciarelli in title role. Runs till June 1, with next performance on Sun (463641)

■ STOCKHOLM

Royal Opera 19.30 Siegfried Kohler conducts Tazeena Firth's new Swedish-language production of Die Entführung aus dem Serail, also Fri. Tomorrow: Carmen. Sat: Frederick Ashton's production of Cinderella (248240)
Konserthuset 19.30 Eri Klas conducts Stockholm Philharmonic Orchestra and Chorus in a concert of opera choruses. Repeated tomorrow (244130)

■ VIENNA

Staatsoper 19.00 Ivan Fischer conducts Die Entführung aus dem Serail, also Fri. Tomorrow and Sat: La Clemenza di Tito. Sun: Die Zauberflöte (51444 2960)
Konzerthaus 19.30 Friedrich Cerha conducts Vienna Symphony Orchestra in music by Schubert and Webern. Tomorrow: Frans Bruggen conducts Orchestra of the 18th Century (7124 6860)
Messepalast 20.00 Kent Nagano conducts Peter Sellars' production of The Death of Klinghoffer by John Adams (586 1676)
Musikverein 19.30 Klaus Weise conducts Tonkunstler Orchestra in music by Rossini, Chopin and Bruckner. In the Brahms-Saal, Helen Donath gives a song recital. (658190)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY
Eurosport
0600-0630 International Business report
CNN
0500-0530 Moneyline
0800-0830 Moneyline
1230-1300 CNN Market Watch
1330-1400 Business Day
2000-2030 World Business Today - a joint FT/CNN production with a review of the day's major business stories
2300-2330 World Business Today
0100-0130 Moneyline
Superchannel
0700-0830 Financial Times Business Report
A five minute business briefing broadcast three times between 0700 and 0800
2220 - 2250 (Wed) Financial Times Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
0830 & 2030 (Thurs) Financial Times Business Weekly
Sky News
1200 International Business Report
2130 (Thurs) Financial Times Business Weekly

SATURDAY
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0800-0830 Moneyline
0900-0930 World Business Today - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
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Superchannel
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Efta's place in Europe

THE European Community's efforts to form a common economic area with the seven countries of the European Free Trade Association have not enjoyed the glamour of its overtures to the emerging democracies of eastern Europe. Yet a robust arrangement is quite as important for Europe's future.

The EC's original aim in proposing a European Economic Space – later renamed "area", to avoid the notion of emptiness – was to allay Efta's fears of being left behind by the advent of the single market, while staving off awkward demands for EC membership.

On paper the European Economic Area appeared a neat, apolitical solution, which promised economic benefits for both sides. As the talks progressed, however, it became clear that even an exclusively economic arrangement would require Efta members to make painful sacrifices of national sovereignty in such basic areas as competition policy and the setting of industrial standards. Thereupon many Efta countries realised that there was no long-term alternative to membership of the EC. Otherwise, they would find themselves obliged to accept the rules of the emerging Europe of the 1990s, but be unable to contribute more than marginally to their formation.

Full agenda

Accordingly, the arrangement, whose realisation has now come closer with a breakthrough on most of the outstanding issues in the talks in Brussels this week, is essentially transitional. The EC at least will judge it successful by how long it postpones the day when most of Efta is subsumed within the Community. The EC wishes not to contemplate that day right now. Its internal agenda is too full, not only with the completion of the single market, but also with its inter-governmental conferences on economic, monetary and political union.

As outsiders, the Efta countries have a weak hand. They could never expect to dictate terms. The realisation, if one that is often unstated publicly, that most are looking for EC membership in the long term should, however, help them to swallow the loss of autonomy inherent in adherence to the European Economic Area. The proposal agreed this week, whereby disputes could be settled by a special joint chamber of the European Court looks like a useful compromise. So does Switzerland's decision to soften its demands for exemptions from the new grouping's rules.

European heritage

Yet the EC should not ride over roughshod its Efta partners. More is at stake than expansion of the single market to a total of 380m consumers. These developed industrial democracies represent an important part of the broader European political, economic and cultural heritage. A Europe that marginalised them would be a nonsense.

The EC must plan its future with the eventual membership of these states in mind. Institutionally, it must take account of the need for a decision-making process and forms of bureaucratic accountability that can be adapted to a larger membership. The debate on political union, with all it implies for European security policy, must also unfold in the knowledge that it will be necessary to accommodate several neutral members, such as Austria, Sweden and Finland.

With its traditions of federal and local democracy, Switzerland may never be ready to accept the obligations of EC membership. For the other Efta countries, even Finland, it appears ineluctable. But the process of adjustment will take time. It will be smoother if the European Economic Area offers as comfortable an ante-room to membership as it is possible to make. Once created, such an ante-room would have long-term benefits. New participants – most obviously, Czechoslovakia, Hungary and Poland – could enter, while others depart to become full members of the EC.

Partly for this reason, but above all because of the need to include existing Efta countries as completely as possible in the new European arrangements, it is worth going the extra kilometre to make the final conference on the arrangement next month a resounding success.

Brazil's new economic team

IT MUST seem peculiarly perverse for Brazilians to be celebrating the demise of their first female finance minister, when their country is in such dire straits.

Ms Zelia Cardoso resigned last week, along with nearly every senior figure in the administration, bequeathing an economy both in deep recession and on the edge of hyperinflation. Her successor, Mr Marcilio Moreira, is the fifth finance minister in six years. (*During this period Brazil has* also switched central bank governors seven times.) At this stage there can only be hope – but no certainty – that Mr Moreira will succeed where his predecessors have failed.

The celebration has little to do with the expectation of any miracles in the world's eighth largest economy. It is far more a primitive display of satisfaction over the long-awaited exit of an unpopular minister. In this, she has borne the brunt of people's frustrations and disaffection with President Fernando Collor's 14-month old government.

The general thrust of her re-adjustment policies was correct. She recognised the need to deregulate and liberalise Brazil's highly protected economy. She began to cut the public sector deficit, remove exchange rate distortions and realign prices. But as a young academic without experience of government or politics, she was obsessed with her own rectitude. *And, paradoxically, Ms* Cardoso was far too interventionist in pursuing the eventual goal of deregulation.

Arrogant approach

It was a mistake, for instance, to freeze the banking systems' assets in March last year when initiating the first phase of the stabilisation programme. This mistake was compounded by her arrogant like-it-or-leave-it approach which antagonised those whose support she most needed – the São Paolo businessmen, Congress and the international financial community.

Having stood by her for so long (by the standards of Brazilian politics), President Collor cannot easily distance himself from Ms Cardoso now. Nevertheless, the choice of Mr Moreira, a respected diplomat and experienced banker, is a welcome antidote. With luck, it also marks the advent of a more mature hand in government.

Minimal change

The direction and content of economic policy will not change fundamentally, only its style and management. Confrontation is to be replaced by consensus. At the international level, *Brazil is now expected to* accelerate negotiations on a comprehensive restructuring of its $122bn foreign debt. With the Collor government into its second year, it has become *counter-productive to* hold back on token payments to the banks by arguing that the economy must be restored to growth before debt service resumes. This strategy has delayed a satisfactory rescheduling agreement.

Mr Moreira is also aware of the importance of establishing a working relationship with a Congress jealous of its prerogatives and the São Paolo business community, which has felt under siege from the re-adjustment measures. The narrow self-interest of the latter group played a significant part in Ms Cardoso's downfall: the private sector saw her as a threat to the cosy cartels which have long existed in the Brazilian economy.

The new minister will find it hard to persuade businessmen *that liberalisation is an irre-*versible process. They will demand their former privileges in return for a pact with the government and unions to hold down prices and wages and *reactivate the economy. Such a* pact is vital and President Collor can help here by making a more determined effort to establish a national consensus on his government's policies.

The Collor government's failure with economic stabilisation to date, which leaves Brazil languishing as the sick giant of Latin America, has two lessons. First, correct policies have been undermined by poor management as in neighbouring Argentina. Second, in a complex society with many different interest groups, a degree of consensus is essential to provide a stable framework for implementing adjustment policies.

Political discord and internal bickering have fuelled speculation that Bundesbank chief Karl Otto Pöhl will resign, says David Marsh

Now may be the best time to jump

The independent German Bundesbank is an object of wry envy for Mr Bruno Meier, one of the former deputy presidents of the Staatsbank, the now-defunct east German central bank, taken under the Bundesbank's wing during the run-up to reunification last year.

Mr Meier recalls the remark two months ago by Mr Karl Otto Pöhl, the Bundesbank president, that the aftermath of German monetary union had been a "disaster". The comments, underlining Mr Pöhl's strong misgivings about the economic conditions under which the D-Mark was introduced across the Elbe on July 1 last year, sparked an angry reaction from Chancellor Helmut Kohl and Mr Theo Waigel, the Bonn finance minister. Mr Pöhl sent a conspicuously half-contrite letter to the chancellor, saying he "regretted" the incident.

"If Mr Horst Kaminsky (the former Staatsbank president) had said something like this, he would have been immediately sacked and persecuted as a western agent," says Mr Meier. "Pöhl's position allows him to irritate the chancellor. In a democracy, this is possible."

At about the same time as the now-retired communist banker was spelling out his admiration in a Berlin suburb on Monday, the independent and outspoken Mr Pöhl was – not for the first time – hogging the attentions of the foreign exchanges.

Financial market rumours that Mr Pöhl was considering resignation helped depress the D-Mark against the dollar – and triggered fresh speculation about further weakening of the Bundesbank's political clout, already undermined by months of well-publicised differences with the Bonn government.

The only official comment from the Bundesbank yesterday was that Mr Pöhl, in Basle for the monthly meeting of the Bank for International Settlements, again "regretted" the resignation reports. A spate of rumours in recent weeks about Mr Pöhl's supposed intentions to depart have produced a mainly wearied response from the Bundesbank's press office. But the latest reports, fuelled by speculation about the content of confidential discussions between Mr Pöhl and Mr Waigel in Bonn last Tuesday, have been the strongest yet.

Mr Pöhl is to make a statement after the regular fortnightly meeting tomorrow of the Bundesbank's 18-member policy-making council. His ability to disagree publicly with the politicians gives him undoubted power. Allied to mastery of the technicalities of monetary policy, his quick wit, and a rare ability to communicate attract envy from other European central bankers – and has turned him into something of an *international media star.*

Mr Pöhl says that his 11¼ years at the helm of the Bundesbank has taught him that independence can bring unpopularity. But, as the Bundesbank navigates the swirling political and economic aftermath of German unification, Mr Pöhl has found that his power to influence (as well as irritate) the politicians can diminish the more often he uses it. In recent public statements, he has shown no trace of disillusion with high office. Yet the feeling that Europe's best-known central banker may be looking for a career switch has now broken through to the outside world.

It seems highly unlikely that Mr Pöhl has decided to step down immediately. But he has certainly been dwelling on the possibility of departing before his second eight-year mandate as Bundesbank chief expires at the end of 1995.

Sporadic discord with the government during the past 15 months, both over introducing the D-Mark to East Germany and over the path to European Monetary union (Emu), has frayed nerves between the central bank in Frankfurt and the politicians in Bonn. Additionally, Mr Pöhl has been unhappy over internal bickering on the Bundesbank's council.

Disagreement has focused on German monetary union (last year) and, more recently, on a plan to slim down the Bundesbank's post-unification decision-making structure. Mr Pöhl, backed by the rest of the seven-man Frankfurt directorate, wants to streamline to eight the number of Land (state) central banks whose presidents make up the other 11 members on the policy-making council.

A majority of the Land representatives, by contrast, favours raising the number by one (to 12) to make allowance for the new east German states. The Bundesrat, the upper house of parliament, has called for the number of regional central banks to be increased to 16. The "16 solution" is opposed by Mr Waigel, but the government has still not made up its mind on which scheme to back. Mr Pöhl has already told colleagues that he would quit if the plan for 16 central banks were agreed.

Mr Pöhl has simply one vote out of the 18 on the council. Several other members – including some heads of Land central banks which *would not* be closed down if Mr Pöhl had his way – have been voicing protests. "The council has entered a time of unrest," says one board member.

In contrast to his peppery predecessor, Mr Otmar Emminger, Mr Pöhl is almost unanimously agreed to have been an effective chairman of the council since he took over as president in 1980. He praises the council's collegiate spirit. But his occasional frustration at dealing with this heterogeneous and increasingly self-opinionated body of professors, politicians and economic functionaries has fostered doubts about whether he wants to carry on until 1995.

Mr Pöhl combines his image of a *bon viveur* with a strong streak of almost melancholy reflectiveness. In mulling over the possibility of breaking a run of two decades in top German monetary posts, he knows that, at 61, he has only limited time to start a new career. (Mr Pöhl has occasionally to remind Mr Kohl that he is, in fact, four months older than the chancellor). In a private sector job, the Bundesbank president could probably double or treble his present annual earnings of DM600,000 to DM700,000. (This, by the way, is about 40 times more than the early retirement pension received by Mr Kaminsky, his now-unemployed former opposite number at the Staatsbank).

Mr Pöhl would miss above all his colleagues on the international central bankers' circuit. But in a lower-profile job outside the public sector he would be under a great deal less political stress (and would also be less threatened by the worry of terrorist attacks from urban guerrillas). He would also benefit from a great deal more time with his young family.

The unusual pressures on the Bundesbank president started with Chancellor Kohl's decision in February 1990 to offer East Germany talks on German monetary union without having consulted Mr Pöhl first. Embarrassingly for Mr Pöhl, he heard about the offer hours after having dismissed the idea in talks with Mr Kaminsky in East Berlin. Already then, Mr Pöhl briefly considered the idea of resigning, but turned it down in view of the historic significance of unification.

On May 15 last year, the Bundesbank discovered from the newspapers that the government was launching large extra borrowing to finance unity through an off-budget German Unity Fund (GUF) – ruling out the route of raising money for East Germany through tax increases. One senior Bundesbank council member dismissed the GUF as a potentially inflationary "facade".

In an attempt to limit open dissent with the government Mr Pöhl made efforts to prevent the council taking a public line favouring tax increases. This was in spite of his own view that higher fiscal contributions would almost certainly eventually prove necessary – a forecast which was proved correct when Mr Kohl's government announced one of Germany's biggest-ever tax increases three months ago.

At the end of May last year, Mr Pöhl send a stiff letter to other Bundesbank council members, calling on them to close ranks over the issue of discord with Bonn over German monetary union. Mr Pöhl's own unscripted "disaster" remarks in Brussels succeeded in bringing the issue back into the headlines – an outcome which he accepts is somewhat ironic.

Over European monetary union, the Bundesbank president has benefited from agreement with Mr Waigel over the need for care rather than speed. Mr Pöhl, however, was annoyed that Mr Kohl at an EC summit in Rome in October last year made an unnecessary concession to the French government in agreeing a possible date to establish an EC central bank in January 1994. Both Mr Pöhl and Mr Waigel regard this as premature.

But at the informal meeting last weekend of EC finance ministers and central bankers in Luxembourg, Mr Pöhl succeeded in winning general agreement for the date to be put back to 1996. He also obtained satisfaction in seeing endorsement of the Bundesbank line that the less "stability conscious" EC members would not be able to start Emu at the same time as the low-inflation "core" of Germany, the Benelux, Denmark and France.

If Mr Pöhl does decide to quit before time, the most likely candidate to take over would be Mr Hans Tietmeyer, the Bundesbank board member in charge of international monetary affairs, well known (and, by some, disliked) for his inflexibility and toughness. Mr Pöhl is a much more diplomatic performer. "He sees things from so many sides that sometimes you wonder if he has an opinion," says one colleague from the Bundesbank council. He adds that Mr Pöhl's "warm tones" can made him much more difficult to disagree with.

Mr Tietmeyer, like Mr Pöhl before he came to the Bundesbank in 1977, was previously state secretary in the finance ministry. Mr Tietmeyer joined the Bundesbank at the beginning of 1990, and within three months was thrown into the political fray of helping negotiate German monetary union as Chancellor Kohl's personal adviser. As a member of Mr Kohl's Christian Democratic Union, Mr Tietmeyer is a great deal closer to the chancellor than Mr Pöhl, who has maintained (now largely nominal) membership of the Social Democratic party he joined in 1948.

There was some tension between the pair when Mr Tietmeyer joined the central bank, partly because Mr Pöhl saw Mr Tietmeyer as a potential rival. Their monetary views, however, tend to converge. Mr Pöhl has also improved his relationship with the other leading figure on the council, Mr Helmut Schlesinger, the vice president, due to retire in September next year.

Mr Pöhl would have no objections to handing over the reins to Mr Tietmeyer, provided he believed that the Bundesbank's monetary strategy was headed in the right direction. Although Mr Pöhl has headed off for the moment the latest US demands for cuts in German interest rates, uncertainties persist on both the external and domestic fronts. The Bundesbank has mounted a campaign – without great effect – against wage rises of about 7 per cent in the current German pay round. With inflation perhaps heading towards the 4 per cent level by the end of the year (against only 2.5 per cent now), the central bank may before long be forced into a new increase in its discount and Lombard rates.

The weekend compromise in Luxembourg has, however, averted the danger that the Bundesbank would have to sacrifice its monetary sovereignty to a new EC central bank before 1996 – by which time Mr Pöhl's term would have expired. In pondering his future, Mr Pöhl may have reflected that the previous longest-serving Bundesbank president, Mr Karl Blessing, served for 12 years (between 1958 and 1969). By the end of this year, Mr Pöhl will have notched up the same length of service – and will have consolidated the Bundesbank's reputation under far more trying conditions than those in the 1950s and 1960s. In choosing the conditions for handing over the monetary baton, Mr Pöhl may have come to the conclusion that the timing will never be better than now.

OBSERVER

Knock for knock

■ Octav Botnar, the 77-year-old autocrat who has ruled Nissan UK for 20 years, prefers the *spotlight to be on his cars* rather than on him.

But although he has been keeping a characteristically low profile during his extraordinary fight with Nissan Motor of Japan, he appears determined to have all the dirty linen washed in public.

Botnar is absent from this week's high court action, leaving Michael Hunt, his right-hand man and largest private shareholder, to watch the proceedings.

The case is the culmination of lengthy and deepening conflict between the two parties and stems from Tokyo's decision to terminate from the end of 1991 Nissan UK's sole importing and distributing concession.

While Nissan Motor is trying to minimise any embarrassing, public wrangle, Botnar, who wants to stop the Japanese selling their cars to any other distributor, has other ideas. Undaunted by the potential *sensitivities of the legal* system, he is fighting his corner outside, as well as inside, court.

Even as his barrister was struggling to get everything *out into open court – he lost* in his initial try for a public hearing on whether the dispute should be settled in Japan or Britain – Botnar's staff began circulating a history of the UK business and its trading record.

The document talks of two decades of devoted service to Nissan and complains that the British company finds itself "at the receiving end of an ungainly attempt" to end its dealership. Nissan Motor's conduct, it adds, is totally without justification.

On the opening day of the proceedings, which could well soon emerge into open court, Sir Nicholas Browne-Wilkinson, senior judge of the high court chancery division, pleaded with Nissan UK's *barrister: "Don't hot it up"*.
Fat chance.

Identity crisis

■ Ever since the Turkish authorities were advised in the early 1980s that their country might improve its image abroad by referring to itself in English as Turkland – rather than labouring under the image of a big stupid fowl – the question of a name-change has not gone away.

Now, the country's travel agents have decided to entice visitors to sunny Turkiye while Ziraat Bankasi, the state bank, is also using the adaptation to advertise its services internationally.

The new version sounds fairly natural to most Turks, given that it is only a *slightly* adjusted form of Türkiye, the name they have themselves used since the 1920s when the newly-formed republic replaced the Ottoman Empire.

Those in favour of the change appear to include President Turgut Ozal, but not all his fellow countrymen agree. Some think the very idea degrading and others are angry *that their nation should show* itself so sensitive to American red-neck slang.

An unruffled official in Ankara says some of the alternative names proposed would have been worse and that any suggestion is unlikely to last long. Turkey, he adds reassuringly, is not about to get the bird.

"Gumshe"

■ Time was when the idea of using an American "gumshoe" to dig up the dirt on corporate predators or prey might not have amused the archetypal British merchant banker. But

"Did you notice how calm and unblushing he was as he sacked us?"

the City is alas no longer its old gentlemanly self, and professional investigative skills have become a critical ingredient in the machinations surrounding mergers and acquisitions.

Hence the arrival in London of Terry Franklin – former newspaper reporter, wife, mother and newly-appointed European general manager of The Investigative Group *whose US chief is Terry* Lenzner, the lawyer who tracked down the Nixon administration's slush funds.

Franklin's company has been in London for four years, building up a clientèle of merchant banks, institutions and businesses by offering "lawful, ethical and discreet" investigative services. Everything from corporate and financial fraud cases to employee embezzlement and sexual harassment is considered.

Franklin, at 37, has been given the job of building up business around Europe. She admits Britain's corporate community has been sceptical about the activities of organisations like hers, but says times are changing fast.

Although the job has risky moments, she adds, she rarely relies on femininity. "The only time it helped, I was heavily pregnant and knocking doors on a snowy night in New *England. It worked quite well*".

Green back

■ After a spell on the sidelines following his forced departure last year as chairman of the London Metal Exchange, Christopher Green has re-emerged as a director of Barclays Metals, ring dealing subsidiary of Barclays Bank.

Now 56, Green has been in the metals business for 33 years, serving as vice-chairman on the old Metal Market and Exchange Company replaced by the LME after the 1987 tin crisis.

But his time-consuming role at the LME, described by him as something akin to "unpaid masochism", became something of a headache when Cerro Metals, where he was chief executive, was taken over in 1989.

His new American bosses were unhappy with a quaint, old tradition which left the *LME* chairman doing an unpaid job which took up to half his time. They were content to let him carry on but suggested that, for the first time in 110 years, it should carry a salary with it. Cerro would cough up half but the LME would have to do the rest.

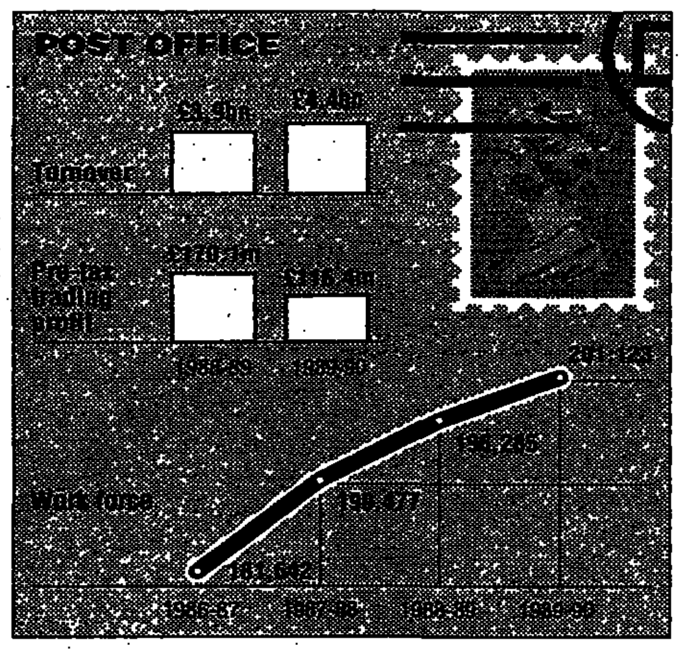
Neither the exchange nor Green was much amused and there was a parting of the ways. Unfortunately the loss of his job made him no longer eligible to serve as a ring director, so he ended up losing not one job but two.

Written off

■ Asked to explain the phrase *The child is father to the man*, a schoolgirl answered: "It was written by Shakespeare. He often made this kind of mistake."

Fresh package for the post

Roland Rudd on the proposals for – and costs of – reforming Britain's postal service



Lord Hesketh's mother loves the Royal Mail. In part it is because she enjoys sending letters which usually get delivered. But above all it is because the Queen's head is on the stamp. It is not a view shared by her son, who as the minister for industry responsible for the Post Office, is looking at various proposals to inject more competition into the service.

If his mother's somewhat nostalgic view of the service appears out of date it should be remembered that it was more or less shared by the last prime minister. The Queen's headed stamps were enough for Mrs Thatcher to rule out privatising the service.

If only Labour MP Tony Benn had realised the significance of this national love affair with the Queen's image, he might have thought twice before embarking, as postmaster-general, on his ill-fated campaign in the 1960s to remove the sovereign's head from the stamp.

However, the presence of the Queen's head no longer invokes the same reverence in Mr John Major's "classless society". The prime minister has made it clear that the Post Office is a prime candidate for privatisation, and hopes to include a proposal either to sell it off, or at least to open it to competition, in the government's general election manifesto.

The question of how to do it has provoked a fierce battle within the Conservative party. Some on the right of the party want to break up the Post Office and sell off its constituent parts. The Department of Trade and Industry, however, favours more competition but is sceptical of outright privatisation.

Officially, the DTI is adopting the Major adage of "nothing ruled in, nothing ruled out". But officials are already dismissing two possible options: do nothing or privatise the Post Office as one business. At the moment, the Post Office is organised in three divisions – parcels, counters and letters – and wages account for more than 80 per cent of total costs.

Those in favour of outright privatisation are led by the Centre for Policy Studies (CPS). It has drawn up a report with the aim of breaking up the Royal Mail into four regional businesses, which would then be privatised. A new Office of Posts (Ofpost) would be created, with a similar role to that of the Office of Telecommunications. It would have the power to grant licences to new entrants to the market.

The DTI is anxious that any privatisation plan should not allow private courier firms to "cream off" the most lucrative geographical areas such as big cities. Mr Michael Corby, author of the CPS report – to be published soon – says the regulator could prevent this happening by forcing the new mail companies to provide a letter service in relatively large areas.

This proposal may be too far-reaching for the DTI under Mr Peter Lilley, although he remains the most senior member of the No Turning Back Group of Thatcherite MPs. The secretary has long been an advocate of reforming the Post Office.

The Adam Smith Institute, the free-market think-tank, is proposing a different solution. It believes that at least one private-sector company should be licensed to compete with newly-privatised Post Office businesses. However, the DTI is sceptical of the claims of some private couriers, such as TNT, the Australian-based delivery company, to be able to provide a rival service.

Before the DTI makes a decision it wants a more detailed *run-down of Post Office* finances. Although the Royal Mail's management, responsible for the letters service, is conducting its own financial review, the DTI has decided to scrutinise the figures itself. It wants to know the cost of every Post Office function, from sending a letter, to the inward and outward sorting, to its final delivery.

The department also hopes to find out the extent of any cross-subsidy between different geographical and business divisions within the Post Office so any financial propping up of one area by another can be ended. The DTI plans to finish its studies into the Post Office's finances by the summer.

The department is not satisfied with the assertion of Mr Bill Cockburn, Royal Mail managing director, that he knows the detailed costs involved in sending a letter, and says most of the figures have been sent to the government's watchdog, the Post Office National Users' Council.

The DTI doubts whether the figures are as detailed or as accurate as they could be. Officially, the department is await*ing the Royal Mail report* before making any comment. It would also like to know why overall Post Office profits fell last year from £170.1m to £116.4m on turnover up from £3.9bn to £4.4bn.

Mr Cockburn says he initiated the DTI audit. In anticipation of a European Commission report into liberalising postal services, Mr Cockburn has asked his managers for a detailed list of the costs of sending a letter. This will enable him to compile a pricing structure for Royal Mail services. Private couriers might then seek to carry mail, and in rural areas, to pay the Post Office for delivering the letter on its final stage.

Although Mr Cockburn's initiative to introduce more competition has been welcomed within the industry, DTI ministers are being urged to remain wary of the Post Office's figures. The Mail Users' Association, a pressure group that claims to represent businesses with postage bills totalling £40m a year, says the government should force the Post Office to break down the costs of first-class and second-class stamps. Mr Leon Morelli, the association's chief executive, says: "It is a monolithic organisation which appears to be wasting money."

He cites the case of the Post Office's fleet of vans, which he says run on average for only six hours a day and clock up 12,000 miles a year. He also believes the organisation's buildings are only used for an average of seven hours a day.

The DTI will study similar claims of inefficiency. The option currently favoured by the department is for collection and sorting of mail to be contracted out to private bidders, which could either include in-house Post Office management buy-outs or private couriers. Once the post has been sorted it would be collected by the Post Office or its regional contractor. The parcels division could be sold off as a single entity.

Under this plan the Post Office's existing national structure would be retained but its 64 districts would be converted into nine business divisions. Nevertheless it may be too early for Lord Hesketh's mother to jump for joy at the news that the Queen's head is to remain on British stamps.

The Royal Mail has yet to complete its financial review, and the DTI may not even have the last word. The Treasury and finally the prime minister will want their say. As one senior government official warned: "The debate on the Post Office's future has only just begun. Those in favour of *straightforward privatisation* could yet win the day."

Edward Mortimer

White man eyes his burden

FOREIGN AFFAIRS

Conditions are ripe for a new imperialism, except that there is a shortage of imperialists

"The whole question of sovereignty needs to be addressed for Sudan as in Iraq. If a regime has proved absolutely intransigent, has used food as a political weapon, and is incapable of feeding its own people, the option of the international community should not be abdication and indifference, but intervention. The precedent set in Iraq should be applied to Africa, where the situation is more grave."

If those remarks seem familiar, it is because you read them on the opposite page a week ago. They were made by Mr Kosti Manibe, deputy general-secretary of the Sudan Council of Churches, and quoted in the article on famine in Africa by Julian Ozanne and Michael Holman. But they seem to me well worth reprinting, and thinking about.

In practice, as Ozanne and Holman pointed out, "the world community shows no sign of treating the action to save the Kurds as a precedent" in Africa. Nor is there any compelling reason why it should.

Iraq is a special case. Its government has clearly demonstrated, by waging aggressive war, that it is a menace not only to its own citizens but to neighbouring countries and to world order. The "world community" felt obliged to take up arms against it, and having done so would have had a strong legal case for removing it from office by force of arms. There were strong political arguments against that, but these should at least not have inhibited the victorious allies from rendering moral and material support to those Iraqis who, in the immediate aftermath of a disastrous and unjustifiable war, tried bravely to overthrow the government which had started it.

The legal case for carving out an arbitrarily delimited enclave from its territory looks a good deal weaker, but there was a strong moral argument that the allies, having failed to assist the Kurds in those special circumstances, had incurred a special responsibility towards them. I would argue that this responsibility is not limited to the fate of the Kurds, but extends to all the Iraqi victims of President Saddam Hussein's victory over the uprisings. But let that pass for the moment. My point today is that "the world community" does not have any such direct responsibility for the fate of those starving in Sudan and other parts of Africa.

The phrase "world community" is in any case something of a euphemism. The decision to intervene in northern Iraq was taken initially by only three governments, and still does not involve more than a dozen. Unlike the action to remove Iraq from Kuwait it was not specifically authorised by any UN resolution. It is unlikely even now that a majority in support of the intervention could be mustered in the UN Security Council, let alone in the General Assembly. To speculate whether a majority of the world's population would support it is quite futile, since the majority of the world's population has no means of forming, let alone expressing, an opinion on the subject.

Many white men shouldered the 'white man's burden' in a spirit of genuine idealism. Whole societies, however, would not have done so without the expectation of profit and without the fear that if they did not they would lose out to rivals

What do we mean, then, by "the world community"? The present meaning of the term seems to be approximately this: "the US acting in concert with one or more of its allies, and in a way that does not provoke or encounter any effective opposition".

It is the lack of effective opposition that is the novel element in today's world. The Soviet Union, which was until a few years ago the only power both able and willing to confront the US on a whole range of issues and in almost any part of the world, is now going through a profound crisis and *has drastically revised its view* of its own vital interests. Until further notice it is unlikely to offer serious opposition to any US action other than direct interference in its own internal affairs. No other state, after watching the fate of Iraq, is likely to contemplate challenging US power beyond its own borders. Probably not many today would even be confident that they could emulate Vietnam by surviving and eventually defeating an American intervention on their own territory.

The limits to American power are mainly internal. Mr Saddam himself sensed this, as he showed when he told the US ambassador, a few days before invading Kuwait, that "yours is not a country which can lose 10,000 men in a single battle". We still do not know whether that figure is right, because it turned out that Mr Saddam had wildly overestimated his own capacity to inflict casualties on US forces. But he certainly was right in thinking that the American appetite for overseas military adventure is limited, and that any US president will become cautious when there is a risk of high American casualties.

There is thus a psychological limit on the exercise of American power. There is also an economic limit, or at least a financial one, though it can be argued that in the last resort that limit is psychological too. The US economy is big enough to support a military effort on almost any scale. But the capacity of the US political system (or, which I suspect is really another way of saying the same thing, the will of the American people) to face up to difficult choices is very limited. Few foreign policy goals are likely to seem so important to people in Washington that they will be prepared, in order to achieve them, to cut social security entitlements, or even to increase the price of gasoline.

That means that military action is much easier for US presidents to contemplate when, as in the Gulf war, there is a reasonable prospect of getting other countries to pay for it, and when there are allies willing to share the political and military risks. *This fact serves to enlarge the "world community" somewhat.* Other industrial democracies, besides the US, are members of it, even if not on an equal footing.

So let us be clear what this "world community" is. It is not quite literally a white man's club, because Japan is a member, and will have an increasingly important part to play. But it is a club of rich, powerful, successful countries. The citizens of those countries have a conscience, just as their forebears did 100 years ago. Their compassion and moral indignation can be aroused by the news media, as their forebears were aroused to similar emotions by the reports of returning missionaries. Like those forebears, they will make contributions to charity, and will feel from time to time that "something should be done". But for that "something" to be anything as expensive and dangerous as military intervention it will surely be necessary for other emotions, such as fear and greed, to be aroused too.

If I say that Mr Manibe is advocating a return to imperialism, he will probably feel deeply hurt and insulted. But imperialism had its noble side. It saved lives as well as taking them, and there were plenty of people on the receiving end – Mr Manibe's forebears, perhaps – who were unashamedly grateful for its benefits. The overall balance of profit and loss remains controversial, for the coloniser as well as the colonised. Many white men shouldered the "white man's burden" in a spirit of genuine idealism. Whole societies, however, would not have done so without the expectation of profit, and above all, without the fear that if they did not they would lose out to rival powers. Today those conditions seem unlikely to be fulfilled. And, for better or worse, today's "white men" hardly look fit enough to take up any excessive or unnecessary burdens.

LETTERS

Gibraltar eager to open up airport

From Mr J J Bossano.

Sir, I refer to your interview with Mr Felipe Gonzalez, Spain's prime minister ("A better balance of rich and poor", May 9), where he is quoted as saying: "Without much effort of imagination we could begin joint use of the airport at Gibraltar ... I do not see any reason why an agreement that has been signed between Great Britain and Spain has not been implemented ... We can agree to use Heathrow or Barajas jointly but not the airport at Gibraltar."

Let me assure Mr Gonzalez that there is absolutely no impediment on the part of my government to using jointly the Gibraltar airport immediately on the same terms as would apply in Heathrow or Barajas.

I cannot possibly believe that Mr Gonzalez would choose deliberately to mislead British and international public opinion with his reply. I must therefore assume that he has not been made aware of what our objections to the 1987 airport deal are.

Under the terms of the 1983 EC directive, the Gibraltar airport is a British regional airport and is so recognised under Community law.

Spain's position after its accession to the Community in 1986 has been to veto the application of new EC air liberalisation measures to Gibraltar unless it ceased to be classified as a British airport. What Spain is seeking under the 1987 agreement is the right to determine who else from third countries can fly to Gibraltar as if it were a Spanish and not a British airport.

I can hardly imagine that Mr Gonzalez believes that this is what happens at Heathrow or Barajas. Gibraltar would welcome the use of its airport by other Community airlines, including Spanish carriers, exactly on the same terms as other British regional airports.

J J Bossano,
chief minister,
Government of Gibraltar,
6 Convent Place,
Gibraltar

Takeover Panel defended over 'procedural audit'

From Mr David Calcutt.

Sir, I read, with some dismay, the Business Law article by Professor Jeffrey Jowell ("Self-regulation under threat", May 9).

Rather than comment on each of the points made in the article, I would wish to concentrate, for present purposes, on Prof Jowell's remarks in relation to what he terms a "procedural audit" of the Takeover Panel.

First, Prof Jowell attacks the composition of the panel and suggests that it is apparently biased towards those with a direct "financial interest" in encouraging takeovers.

There is no such bias. While it is true that the panel draws its members from leading financial and business institutions, the governor of the Bank of England appoints the chairman and deputy chairmen, all of whom are independent, and two lay members, both of whom are industrialists.

It is difficult to see how they, or indeed some of the other organisations represented on the panel, could be said to have any "financial interest" in creating more takeover activity.

Second, Prof Jowell refers to the panel's consultative procedures when rules are to be amended, and suggests that they are "minimal". Again, this is not so. Proposed amendments of the code are submitted to all members of the panel for their consideration, comment, and ultimate approval or rejection. When necessary, there is full discussion of any proposed amendment at a meeting of the panel.

Third, Prof Jowell contends that "inter-partes" hearings in a contested matter are the exception rather than the rule. This seems to confuse the practice of the panel executive with that of the panel itself.

It is true that the executive (which regulates a bid on a day-to-day basis) does not normally find it helpful in carrying out its task to hear arguments from both sides at the same time. But should a party feel aggrieved by the want of direct confrontation, there is always a right of appeal to the panel, and the panel hears both parties face-to-face.

Finally, Prof Jowell suggests that legal representation at a hearing before the panel should be granted "as of right". In disciplinary proceedings the panel does not discourage legal representation, if a party should wish it. In appeals on questions of interpretation, during the course of a bid, the panel is sensitive to the risk of those proceedings becoming legalistic and prolix: it is the purpose, not the letter, of the code which rules; and speed of decision is crucial.

In my experience parties at hearings have apparently been content for their financial adviser (who will have been closely involved throughout the bid) to present their case; and I have not heard it suggested, at a hearing, that a party has been at a disadvantage because of a want of legal representation.

David Calcutt,
chairman, Takeover Panel,
Lamb Building,
Temple, EC4

Pension equalisation impossible

From Mr Brian MacMahon.

Sir, Chairmen of the National Association of Pension Funds are not often accused of rhetoric (Letters, April 30), still less of not understanding the legal basis for pensions and aligning themselves with poll-tax protesters. Permit me to make just two points.

Mr Bryn Davies says many schemes have equalised already, and cites our annual survey. One employer which equalised many years ago has costed the bill it would have to meet *if full retrospection is imposed.* It amounts to £600m.

I am accused of rhetoric when I say full retrospection in the Barber case is impractical. If Mr Davies reflects on the difficulties of tracing company pay and employment records over the last 40 years to determine the rights of pensioners, many of whom have surrendered pension for other benefits, he will see that impractical is one word: impossible might be another. Delegates at the NAPF annual conference last month certainly thought so.

Brian MacMahon,
National Association of Pension Funds,
12-18 Grosvenor Square, SW1

A scenario for Emu decision

From Mr Stanley Crossick.

Sir, The British opponents of the Economic and Monetary Union understanding reached in Luxembourg over the weekend deserve sympathy.

If the UK concedes the principle of union in the forthcoming treaty, Emu will go ahead within the European Community, with or without the UK. If the UK refuses to accept the principle, the other member states will go ahead with the treaty outside the Community structure.

The understanding is the only sensible one. All 12 member states will sign the Emu treaty, but the UK (and other member states) can decide later whether or not to join.

This way, the UK will have an important say in the timetable and preconditions for economic and monetary union.

It is also clear the the City of London, when the time comes, will vote with its feet. The British opponents are therefore beginning to appreciate that their position is not sustainable. John Major is proving that which has been long understood in Brussels: "Yes, but..." is a much more effective negotiating tactic than "No".

Stanley Crossick,
Belmont,
42 Boulevard Charlemagne,
Brussels

Value judgment

From Mr Raymond Painter.

Sir, Vanessa Houlder's article, "Valuation values come in for scrutiny" (May 10), was timely. Any professional valuing property in a falling market should be circumspect in the advice given to a client.

It could well be that today's value will not be the same as yesterday's and the future impossible to judge. Property owners and valuers would be advised to bear this in mind.

Raymond Painter,
president,
Incorporated Society of Valuers and Auctioneers,
3 Cadogan Gate, SW1

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set the fax machine for fine resolution.

FINANCIAL TIMES
Wednesday May 15 1991

Italy's treasury minister hints at reform of pension system to cut government deficit

Carli seeks to restrict state wage rises

By Haig Simonian in Rome

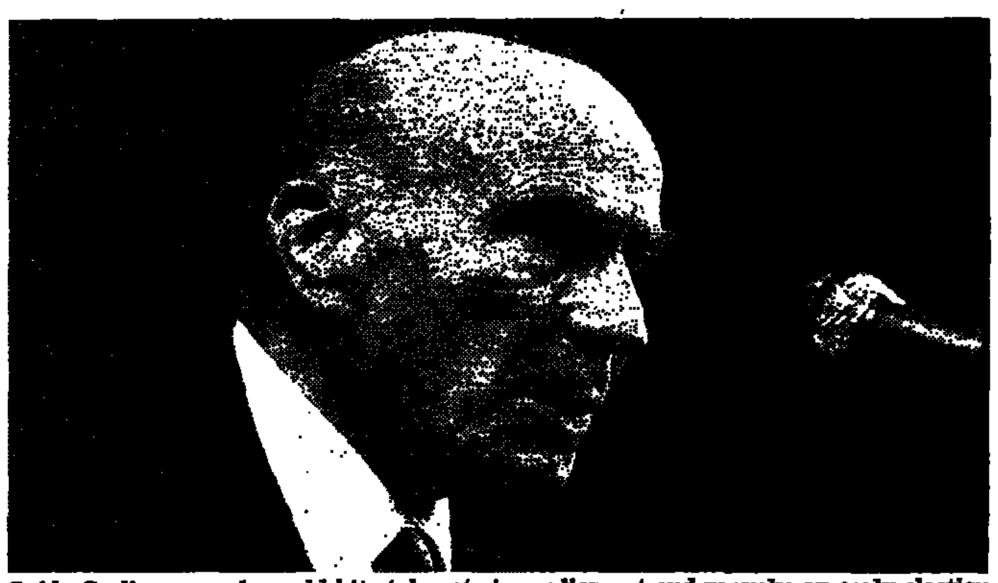
ITALY'S treasury minister, Mr Guido Carli, is proposing to restrict public sector wage rises to the rate of inflation in order to curb the high pay rises that have fuelled inflation and contributed to the government deficit.

In an interview, Mr Carli also hinted that reform of the country's generous pension system, which he said was another crucial way to lower the spiralling deficit, could hit stalemate in parliament and provoke early elections.

The proposal on wages, which will be presented in negotiations on new contracts for public-sector workers next month, is likely to cause friction within the government and meet stiff resistance from unions used to above-inflation pay rises.

Wage indexation would "stabilise employees' purchasing power in real terms", said Mr Carli.

The first test of his proposal will come when teachers, who have already warned of strikes, meet next month for talks on renewing their current three-year wage contract.



Guido Carli: proposals could hit stalemate in parliament and provoke an early election

On pensions, Mr Carli said he could give no assurance that the planned reform bill, to be prepared by the middle of next month, would win parliamentary approval.

Reforming Italy's pensions system, on the political agenda for over 10 years, is likely to prove controversial, not least because of the unpopularity of such a measure in the run-up to elections due in the summer of next year.

The Socialist party, a member of the current four-party coalition, and opposition groups have come out strongly against lower benefits.

Choosing his words cautiously, the implication in Mr Carli's remarks is that so contentious a measure will not make any headway in parliament. He implied that a stalemate would provoke early elections.

Mr Carli last week reportedly threatened to resign if the government did not put forward the proposals.

Mr Carli said the government's privatisation policy, which received a small boost as part of last Saturday's mini-budget, could eventually involve floating more than the current 49 per cent ceiling of public-sector companies on the stock exchange.

The aim would be to stimulate widespread share ownership, while avoiding the creation of groups "which exert exorbitant power", whether in the private or the public sector, he said.

One way of doing that would be to sell shares to Italy's big co-operative movement, which groups small businesses in different sectors, in the privatisation process.

EC and Efta head back on course

David Buchan examines moves to form a Europe-wide trade zone

A piece of Swiss cheese – still with holes, many of them of Switzerland's making. This was the widely-accepted description of the joint communiqué which the European Community and the European Free Trade Association (Efta) put together early yesterday on their joint bid to forge a 19-nation common economic zone.

Equally, however, it disproved reports of an early death to the European Economic Area (EEA) negotiations. It is clear now that the seven Efta countries will stay the negotiating course, and that if Switzerland and Iceland – the two main Efta malcontents – do pull out, they will not do so until they see what is on the table for them by the end of July, the target date for an EEA deal.

The central paradox of the EEA negotiations, proposed by Brussels to let the Community's neighbours share in its single market without joining the EC club, has been to convince some Efta states that they would be better off inside the EC. This is why Austria filed for EC membership two years ago, and why Sweden has decided to do so next month.

The immediate pressure on Finland and Norway to join the Twelve is eased, to the extent that they gained satisfaction this week on the EEA's institutional machinery. Iceland's desire not to share its all-important fishing industry with outsiders is why it does not want to join the EC and why it may yet walk away from an EEA deal.

The situation of Switzerland, with tiny Liechtenstein in tow, is more complex. Berne urged the right for an individual Efta state (as distinct from Efta as a whole) to opt out of any future EEA law it did not like.

Switzerland was flatly denied this right on Monday night, but said it would still pursue other legal formulae to prevent the EEA impinging on its sovereignty. But because it may not find such formulae, "misgivings about the EEA may give some uplift to the perspective of EC membership", a Swiss diplomat said of his country yesterday.

Behind yesterday's bland communiqué that "agreement had been achieved on several important elements of the EEA agreement . . . and that solutions now seemed possible on the remaining open issues" lie the following realities:

● Institutions. The European Commission has agreed to canvass Efta states' opinions on new legislation and to consult them as these grind through the Brussels' law-making mill. Thus, Efta countries can shape, though not make, EC decisions.

The chief rub has been over how such EC rules are interpreted in law. It is now agreed that a joint EEA panel will comprise five judges from the European Court of Justice and three from Efta countries (drawn from a pool of seven, one for each Efta state).

The panel will rule on disputes arising from EEA law and from competition cases within Efta. But Brussels has refused to allow the EEA court to displace the European Court of Justice as the supreme arbiter of all law within the EC. Efta states – in particular Switzerland with its dislike of "foreign judges" rooted in its 700-year-old independence, and even in William Tell's legendary defiance of a Habsburg judge – smart at this seeming inequity.

● Internal market. This has proved one of the smoother areas, in spite of the fact that the reason why Efta states wanted closer links with Brussels was their fear of barriers shutting them out of the single market.

If and when the EEA treaty is signed and ratified, Efta states will adopt some 1,400 existing EC laws on freedom of movement in goods, capital, services and labour, amounting to 10,000-11,000 pages of legislation. With surprising compliance, the Efta states have agreed to set up a competition body with the same powers to control trade-distorting state aids and company cartels as Brussels has in the EC.

Individual Efta states will get grace periods before they have to apply EC rules on the free purchase of property or labour movement.

● Money and fish. The EC south's dislike of letting rich, industrially competitive Efta states have a "free ride" into the single market has crystallised in Spain's demands for access to Efta (mainly Icelandic) fishing grounds and for Efta cash to help southern economies.

The fish issue is deadlocked with Spain demanding 90,000 tonnes of cod a year, Brussels suggesting a compromise 30,000 tonnes, and Iceland offering nothing without access to EC waters. Spain's appetite for Icelandic fish can clearly be partly assuaged by Efta money.

Other thorny issues remain to plague EEA negotiators, including the acrimonious side-argument over EC trucks travelling through Austria and Switzerland. Lots more work is thus necessary before the holes in the EEA deal are plugged, but its possible overall shape is now clear.

EC foreign ministers yesterday told Spain that it should not use the talks on political union as a forum to call for more funds for poorer member states, writes Andrew Hill in Brussels.

Mr Roland Dumas, France's foreign minister, said the IGC was neither the time nor the place for such discussions on reducing the economic disparity between northern and southern members.

Spain, which reiterated its demands at yesterday's meeting, should wait until the next EC budget negotiations, said Denmark's foreign minister Mr Uffe Ellemann-Jensen.

Mr Jacques Delors, the president of the European Commission, said the Commission would bring forward its own proposals next year. At the weekend, Mr Delors talked of a possible 40 or 50 per cent increase in the EC's structural funds for the next five-year period which begins in 1994.

UK Bank governor warns over rate cut

By Peter Norman,
Economics Correspondent

MR Robin Leigh-Pemberton, governor of the Bank of England, yesterday stepped up his campaign against a premature lowering of UK interest rates, warning that such action would risk adding to inflationary pressures just as the leading industrial countries were returning to growth.

Although Mr Leigh-Pemberton, who was speaking in Frankfurt last night, was referring to the industrial countries as a group, his remarks contained a clear message for the UK government and those Conservative MPs who have been putting pressure on Mr Norman Lamont, chancellor of the exchequer, to cut interest rates soon.

Invoking a phrase used previously by Mr Lamont, the governor said that "siren voices" suggesting that a reduction in interest rates would be a simple way of achieving faster economic growth were much in evidence at present. But the objective of monetary policy should be to achieve stable prices – and it should not attempt to deliver targets for economic growth, even in the short term, he said.

Although the seven leading industrial countries had, as a group, stagnated over the past six months, Mr Leigh-Pemberton said there were several reasons for cautious optimism and for expecting recovery in the second half of this year.

But he added a stern warning: "If we become impatient with the lack of visible progress in restoring output growth, and attempt to force the pace of expansion, the risk is that we would add to inflationary pressures just as the upswing is beginning."

Mr Leigh-Pemberton's remarks are unlikely to endear him to the many Tory MPs who want a cut in the current 12 per cent bank base rates to help prepare the way for another Conservative general election victory.

The speech was the second in a week designed to damp expectations of an interest rate cut, prompting some MPs to question whether the unelected governor of a non-independent central bank should be making such statements.

Last week, the governor warned against "false dawns" in the battle against inflation and suggested that the sharp fall in retail price inflation that is expected to be shown by figures on Friday would not reflect the persistence of underlying UK inflation.

In this, he appeared to be vindicated yesterday when official figures showed that prices of products at the factory gate rose by 1.2 per cent in April, lifting the annual rate of factory gate inflation to 6.4 per cent, its highest for more than eight years.

Producer prices, Page 10

Bush nominates Gates for top CIA post

By Peter Riddell, US Editor, in Washington

PRESIDENT George Bush said yesterday he had "absolutely no qualms" about nominating Mr Robert Gates, his deputy national security adviser, as director of the Central Intelligence Agency, in spite of controversy over Mr Gates' role in the Iran/Contra affair.

If confirmed by the Senate, Mr Gates would succeed Mr William Webster, who is retiring.

Mr Gates was previously nominated for the post in 1987 by former president Ronald Reagan, but his name was withdrawn in the face of congressional concern over how much he knew about the secret sale of arms to Iran.

Expressing full trust in the honesty and integrity of Mr Gates, Mr Bush said that if he had been worried about opening up the Iran/Contra affair he would not have nominated him. Mr Bush said he had had consultations with the Senate intelligence committee, which will hold hearings on his confirmation, and "so far I'm very pleased with the way they have gone".

While Mr Bush, himself a former CIA director, would not have gone ahead without the prospect of a favourable outcome, Mr Gates faces some tough questioning over the Iran/Contra affair and his period as a protégé of, and deputy to, the late Mr William Casey, CIA director during the early-to-mid 1980s.

Senator George Mitchell, Democrat majority leader, said he expected that the affair would be an issue.

Mr Gates, aged 47, has spent his whole career either in the CIA or on the national security council staff. His initial reputation was built as a Soviet analyst, with a PhD in Russian and Soviet studies, although he first visited Moscow only three years ago with Mr Reagan. He has been sceptical about prospects for successful Soviet reform.

His nomination is unusual in that he has never worked on the operational side of the CIA. But in the past decade he has been more than a backroom analyst. Since January 1989 Mr Gates has had a highly influential role in the White House, where he has served as deputy to Mr Brent Scowcroft, an early mentor from the 1970s.

US Congress acts on Uruguay Round vote

By Nancy Dunne in Washington

THE US Congress yesterday began to clear the way for a vote which would permit the Uruguay Round of Gatt (General Agreement on Tariffs and Trade) negotiations to continue and launch talks with Mexico and Canada for a North American Free Trade Agreement (Nafta).

The Senate Finance Committee, which has authority over trade matters, voted by 15-3 to disapprove a motion which experts say would kill the Uruguay Round. However, it sent the resolution to the Senate floor.

The resolution, introduced by Senator Ernest Hollings, a North Carolina Democrat, would deny President George Bush extension of the "fast-track" negotiating authority which means trade agreements cannot be amended by Congress.

More opposition is expected on the Senate floor, but vote-counters still believe Mr Bush has the majority he needs to defeat the "resolution of disapproval".

The House Ways and Means Committee yesterday defeated by 27-9 a resolution of disapproval. A resolution of approval could go to the House floor accompanied by a a list of objectives to guide the negotiations in the Nafta talks. Both houses are likely to vote on the fast-track next week.

The Administration on May 1 sent an "action plan" to Congress making many concessions to the opponents of the fast-track, led by labour, environmentalists and a number of liberal citizen, church and consumer groups. It succeeded in winning the key support of Congressman Richard Gephardt, the House majority leader.

However, many adversaries still plan to try and deny the president the "fast-track" for the Nafta talks.

THE LEX COLUMN

ICI's unknown admirer

Yesterday's mystery purchase of some £240m of Imperial Chemical Industries shares is hard to reconcile with normal takeover logic. The long history of international chemicals cartels would probably rule out a straight bid by most of ICI's competitors. Nor would such a small stake force ICI to part with, say, its pharmaceuticals business, even if a hostile deal were feasible in that notoriously sensitive industry.

The same difficulties would apply in modified form to a Hanson-style break-up, even if the UK authorities could bring themselves to countenance the demolition of a company which is in effect the repository of UK expertise and training in industrial chemistry. It may simply be that the stake is a straightforward portfolio investment, in which case yesterday's 5 per cent jump in the share price may not be sustainable. But no one is likely to bet on that until the buyer is known.

Marks and Spencer

For the sceptics, Marks and Spencer's mere 4 per cent rise in earnings last year will confirm the theory that the UK's most talented all-round retailer is losing its way.

The truth may be less lurid. M and S's solidity is such that if it is suffering, the competition must be suffering worse. The real question is rather whether M and S is a growth company any more.

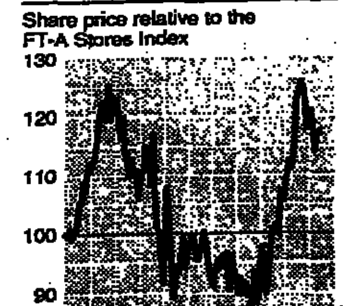
Even allowing for what is happening to UK consumer spending overall, last year's figures make unsettling reading. In the UK, group volume in the second half was down 6 per cent on a like-for-like basis. Food volume seems to have been down slightly as well, which should make for an interesting comparison with today's figures from Sainsbury. M and S's ability to control costs remains highly impressive.

But the group sees no sign at all of a consumer upturn; future cost savings will be applied not to higher margins but to lower prices. Meanwhile, market share in clothing is surely near its ceiling, UK food retailing faces ferocious expansion by competitors and the overseas operations are still a mixed bag. It is not a recipe for a return to the great days of the 1980s.

Over the past decade, M and S's shares have been a good indication of the health of the stores sector: the worse the sector's troubles, the better M and S performs against it. Its

Marks and Spencer

Share price relative to the FT-A Stores Index



Source: Datastream

recent underperformance might therefore suggest only that the market is more sanguine than the company about a resurgence in retail spending. Either way, yesterday's price of 257p puts the shares on a prospective multiple of around 15, which seems a lot to pay either for defensive strength or likely recovery.

Allied-Lyons

Yesterday's soothing noises from Allied-Lyons were a little premature. Before the foreign exchange catastrophe and property profits, it managed 6 per cent earnings growth last year: not bad given tough markets, but perhaps not quite good enough to justify the 11 per cent increase in the dividend. The 12 per cent underlying growth in wines and spirits, for example, still compares poorly with competitors like Guinness or Grand Metropolitan's IDV.

As for the chief executive designate's thoughts on strategy, it is simply too early to take a view on the future of the brewing division. Presumably when the new management is properly installed the real talking will start. Meanwhile, the thought occurs that the foreign exchange loss could yet turn out to have been a blessing in disguise. Had Allied's lack of internal controls been exposed during a bid defence, it would have been sunk. As it is, a younger management has an unexpected chance to reproduce the above-average performance of the food division across the group and realise more value from its brands. Assuming £700m pre-tax profits next year, the shares are on an undemanding rating of around 11.

Coats/Tootal

The curious thing about the UK's only serious takeover tussle at the moment is the lack of excitement it has generated. After all, the world's two biggest thread companies have played hard, even dirty over the last few weeks; and the outcome (due on Friday) hangs tantalisingly on the decision of a few uncommitted institutions. One explanation for the lack of wider interest may be the demise of the textiles sector - less than one per cent of the overall stock market today. But it surely has as much to do with the uninspiring records of the two once proud combatants.

Investors are asked to choose between two management teams desperate to distance themselves from the errors of the past. Tootal's Mr Habgood has put up a spirited fight but cannot escape the shadow of the Sandhurst acquisition and his company's well documented enthusiasm for a merger last time round. Coats' Neville Bain at least comes in a fresh wrapping from Cadbury: but his challenge has been to answer doubts about the group's ability to swallow another formidable gulp of textiles. The arguments over the cost benefits from integrating the two empires are finely balanced - though Coats probably wins here on points - while the honours are dubiously shared on the touchy issues of accounting policies and the companies' respective financial health.

The question finally turns on the balance of doubt. The trouble for Tootal is that shareholders with long memories have been here before: that its much publicised cost cutting may have come a little late in the day; and that its adversary has pitched its final terms and chosen its timing with considerable skill.

An exit multiple of 10.5 times is far from generous; but given the nature of Tootal's forecast two months into the year and the combination of paper and cash, it will probably just do the trick.

General Accident

Yesterday's first quarter loss of £75m from General Accident is a reminder that the nightmare for UK composites is far from over. The most striking figure was not so much the UK underwriting result which, though disappointing, looks likely to improve as the year proceeds. What stands out is the even sharper deterioration in the US, where ominously the bottom of the cycle has not yet been reached.

WORLDWIDE WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	18	64	Berlin	R	13	55	Caracas	C	28	82	Faro	S	22	72	Islamabad	F	34	93
Algiers	F	21	70	Biarritz	C	13	55	Casablanca	S	21	70	Florence	F	22	72	Istanbul	F	20	68
Amsterdam	F	12	54	Bombay	S	32	90	Chicago	S	22	72	Frankfurt	C	15	59	Jakarta	R	32	90
Athens	F	22	72	Bordeaux	C	17	63	Cologne	C	14	57	Geneva	C	17	63	Jersey	Dr	11	52
Bahrain	S	34	93	Boulogne	F	13	55	Copenhagen	F	13	55	Gibraltar	S	20	68	Johannesburg	C	14	57
Bangkok	F	36	97	Brussels	C	11	52	Corfu	F	21	70	Glasgow	F	12	54	Lima	C	21	70
Barcelona	S	18	64	Budapest	C	16	61	Dallas	C	20	68	Helsinki	R	9	48	Lisbon	S	27	81
Beirut	-	-	-	Buenos Aires	C	19	66	Dublin	F	12	54	Hong Kong	F	28	82	London	F	13	55
Belfast	F	11	52	Cairo	[illegible]	[illegible]	[illegible]	Dubrovnik	[illegible]	[illegible]	[illegible]	Innsbruck	[illegible]	[illegible]	[illegible]	Los Angeles	[illegible]	[illegible]	[illegible]
Belgrade	F	10	51	Cape Town	[illegible]	[illegible]	[illegible]	Edinburgh	[illegible]	[illegible]	[illegible]	Inverness	[illegible]	[illegible]	[illegible]	Luxembourg	[illegible]	[illegible]	[illegible]

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
Madeira	S	21	70	Milan	F	19	66	Nicosia	F	22	72	Salzburg	F	16	61	Tenerife	S	22	72
Madrid	S	20	68	Montreal	F	11	52	Oporto	S	17	63	San Francisco	S	10	50	Tokyo	S	25	77
Majorca	F	21	70	Moscow	C	14	57	Oslo	R	13	55	Seoul	S	26	79	Toronto	S	19	66
Malaga	S	22	72	Munich	C	16	61	Paris	Dr	13	55	Singapore	F	31	88	Tunis	T	16	61
Malta	C	16	59	Nairobi	F	20	68	Peking	S	22	72	Stockholm	F	12	54	Valencia	S	21	70
Manchester	C	13	55	Naples	F	22	72	Prague	C	14	57	Strasbourg	R	14	57	Venice	S	19	66
Manila	C	35	95	Nassau	F	29	84	Reykjavik	R	6	43	Sydney	R	14	57	Vienna	S	19	66
Melbourne	C	14	57	New Delhi	S	39	102	Rhodes	C	20	68	Taipei	F	27	81	Warsaw	C	16	61
Mexico City	M	M	[illegible]	New York	[illegible]	[illegible]	[illegible]	Rio de Janeiro	[illegible]	[illegible]	[illegible]	Tangier	[illegible]	[illegible]	[illegible]	Washington	[illegible]	[illegible]	[illegible]
Miami	[illegible]	[illegible]	[illegible]	Nice	[illegible]	[illegible]	[illegible]	Rome	[illegible]	[illegible]	[illegible]	Tel Aviv	[illegible]	[illegible]	[illegible]	Zurich	[illegible]	[illegible]	[illegible]

Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

MANAGEMENT CONSULTANCY

After 10 years of uninterrupted growth, the industry has hit the buffers. With the economic outlook clouded, management consultants face a downturn. **Simon Holberton** looks at Europe's competitive environment and the perceived need for expansion in leaner times

Serious about Europe

FOR the first time in a decade, Europe's management consultants face the uncomfortable prospect of having to heed their own advice.

Their skills as advisers on business strategy, technology, operations and human resources are now needed for their own businesses.

The double digit real rates of growth in European consulting that were the hallmark of the golden years of the late 80s are today seen as a high water mark for the profession.

As the industry moves into the 90s, the hawkers of remedies to other people's difficulties have now to confront the conflicting realities of recession and, paradoxically, the need to expand internationally.

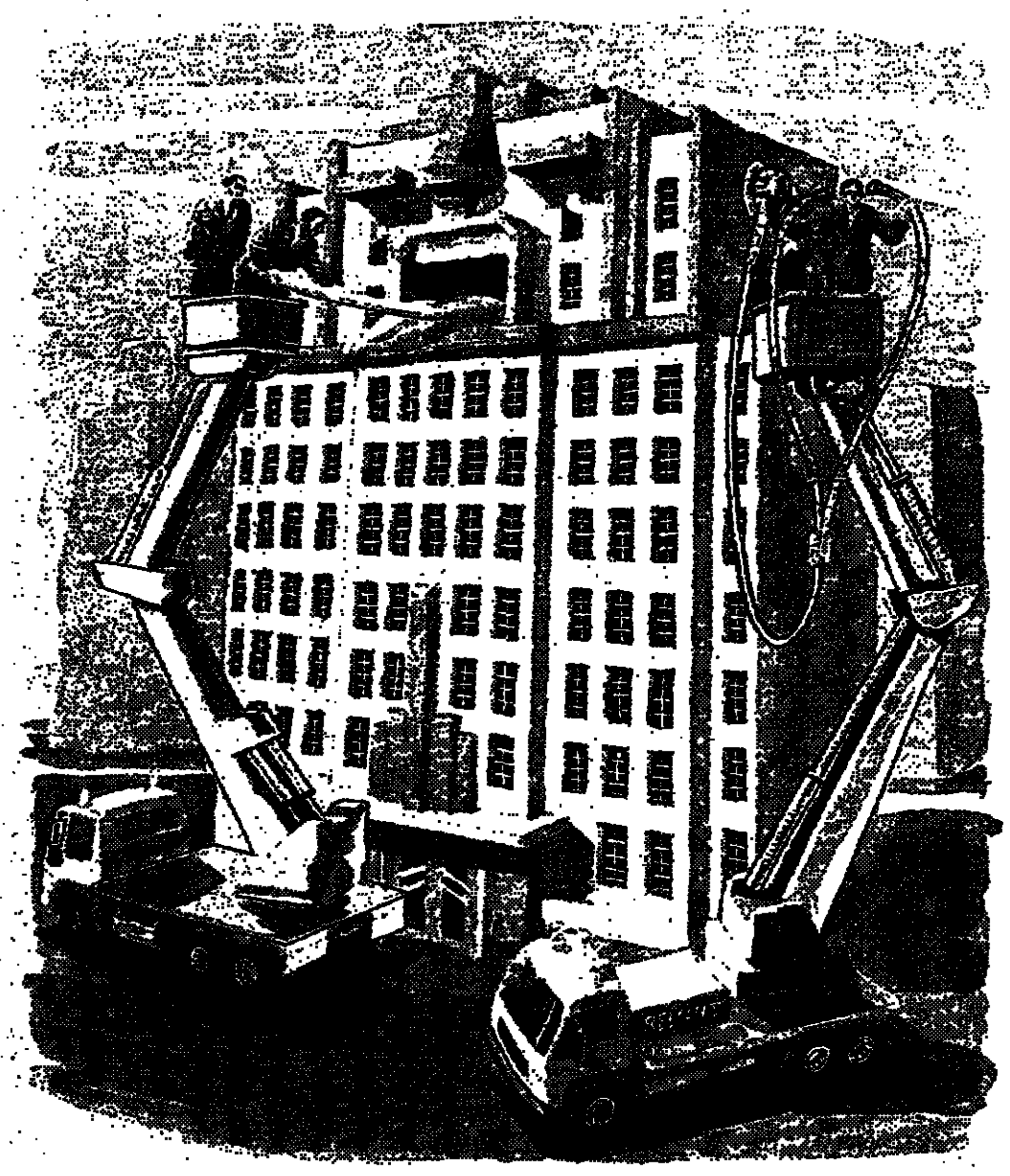
Predictions vary, but industry executives expect a period of consolidation, at the very least, while some pessimists wonder if a more profound shakeout is not looming on the horizon. Unsurprisingly for consultants, there is no broad-based consensus on the future for the profession.

One view, propounded by executives with large firms, sees only a future for firms which can get bigger, or those which can carve a niche for *themselves as specialist suppliers*. The mid-size independents, such as P-E International hotly contest this. It claims, equally forcefully, that it can combine the virtues of a multinational practice – through its Euro-alliances – while remaining an essentially national firm.

Yet one thing is clear. Recession – an uneven force in Europe, to be sure – has meant home markets are more fiercely contested than before, and that the virtually uninterrupted growth of job opportunities in consulting has stalled.

Along with this challenge, the larger firms also have to cope with the growing number of specialised, niche consultancies that grew up in the late 80s; firms which, because of their size and low overheads, are becoming increasingly competitive suppliers of essentially contracted-out services to companies.

A recent survey of the UK consultancy market by Customer Satisfaction Surveys disclosed a greater preparedness by companies to multi-source consulting services. The 256 companies surveyed had used the services of 826 different consultancy firms for 575 projects. By far the great majority of these firms were small *independent consultancies*.



The smaller firm is arguably easier to deal with. "Clients prefer the personalised service; they know what they are getting, and quality is guaranteed," says Dori Dana Haeri, owner of specialist consultancy DDH in London, who works throughout Europe.

The difficulties in home markets, in itself, is a strong enough force propelling the large international practices, especially but not exclusively those based in the UK, to look for opportunities elsewhere in *Europe. But an equally important* force behind the internationalisation of consulting is the need to offer multi-national companies a seamless service across national boundaries.

"You've got to be serious about Europe," says Colin Sharman, head of KPMG Management Consulting in Europe. "Growth without moving into Europe is going to be hard. More and more of the bigger accounts are pan-European themselves and want common standards of delivery across the region."

Although figures on the value of the "consultancy" market in Europe are notoriously difficult to compile, sensitive to definition, and, at best, simply well-informed estimates, they still suggest there *is an awful lot to play for.*

Earlier this year, the German Management Consultants Association (BDU) produced turnover figures for the value of consultancy (in 1989) throughout the European Community and the European Free Trade Association. The BDU estimated that greater *Europe's 16,802 management* consultancies (employing a staggering 122,140 consultants) earned gross revenues of more than Ecu15.75bn (£11bn).

Andersen Consulting, possibly reflecting its more specialist information technology orientation, thinks the market is nearly twice as large. It believes the market in the EC-EFTA (and selected east European countries) will amount to $35bn (£20bn) in 1991. The biggest segment of this market (some $18.7bn) is accounted for by what Andersen describes as "education and training, software development and maintenance", while general management consultancy is estimated to be worth $5.4bn.

Whatever the size of the market may be, with the advent of the EC's single market for goods and service just 19 months away, the desire to scale up to exploit the possibilities has led to a number of players making acquisitions and forging alliances.

For many, getting bigger, and crossing frontiers is what the game is all about, although the recession has caused casualties. Bain, the troubled US strategy consultant, signalled a change in its approach to consulting and development last year with the announcement of its intention to purchase an interest in Indevo, one of Sweden's leading firms, only to see the deal fall through and Indevo file for protection from its creditors under Sweden's bankruptcy laws.

Others have been more successful. PA Consulting, Britain's largest independent general consultancy, has made acquisitions on the Continent, as well as in the US. Even relatively small boutiques, such as Coba Group, a UK strategy consultant, has forged an alliance across the Channel, with MID, France's largest independent strategy house. Bossard, a large independent French consulting firm, has expanded into Sweden and Germany, and is looking to acquire a consultancy in Britain.

Sogeti SA is fast building itself into one of Europe's, and the world's, largest groups. Building on its base in information technology, through its quoted Cap Gemini Sogeti, the largest independent IT consultancy, it last year acquired the US consultancy United Research. *Earlier this year it* added to this by acquiring the MAC Group, a trans-Atlantic strategy consultancy – which itself had just merged with CMI, a predominately European strategy consultant.

Sogeti plans to operate United research, MAC and Gamma International, a French IT consultant it acquired a little over a year ago, separately from Cap Gemini. "Management consulting," said James Kelly, joint-managing of MAC earlier this year, "is evolving to require services that integrate strategy, the management of change, and information technology."

MAC's sale to Sogeti is also probably a pointer to the secular *change some see occurring* in strategy consulting in general. For the strategy consultants to survive in a business world, looking for ways to implement complex and multi-disciplinary change programmes, they have little choice but to either add capacity through acquisition or join forces with a larger enterprise.

Acquisitions by cash-rich and powerful firms are likely to remain a feature of consulting as 1992 draws near. For the rest, as Paul Thornton, group marketing director at PA, says, firms are more likely to try alliances in their attempt to offer clients expertise in other countries. Such alliances "may offer enduring relationships in their own right, or trial conditions for a more formal union when the economic climate improves".

"Consulting will continue to grow as long as people see the need to change," says Keith Burgess, head of Andersen's UK operation. "What would kill it would be the death of companies' confidence in their ability to change." Despite the current problems facing consultants, there seems to be no sign of that happening.

As is underlined by a survey of European chief executives produced by the Management Consultants Association of the UK for the annual meeting of the Fédération Européenne des Associations Conseils en Organisations (FEACO) in London this week, companies continue to stress the continuing importance of 1992, globalisation in general, and the need to compete at the highest level. And that means work for consultants.

IN THIS SURVEY

Production editor: Heather Parker
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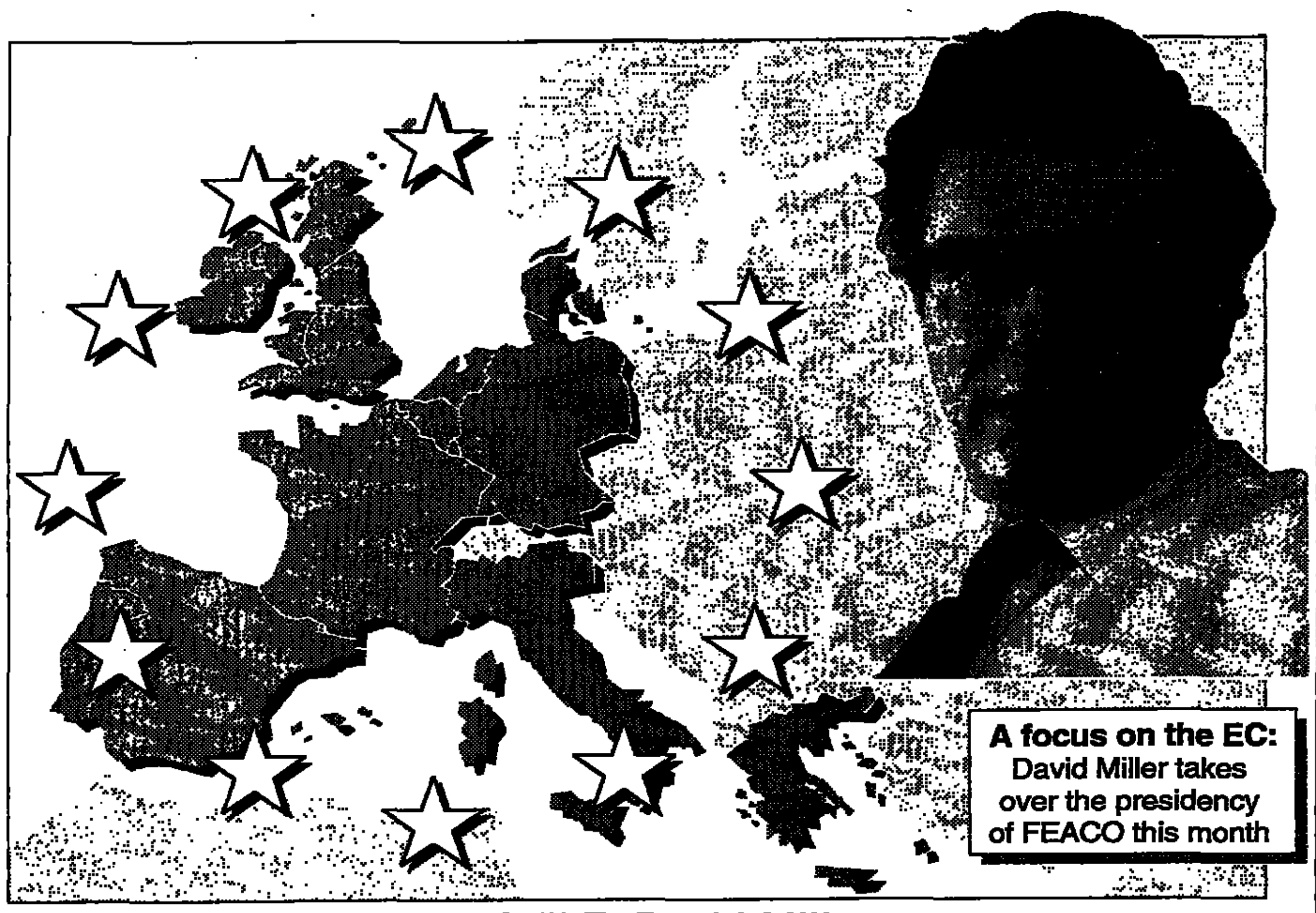


A focus on the EC: David Miller takes over the presidency of FEACO this month

PROFILE: David Miller

An accountant, a physicist and a consultant

WHEN David Miller takes over the presidency of the European Federation of Management Consulting Associations this month, he will find himself in the unusual position of being more familiar with the new surroundings than are his staff.

As head of the Brussels office of Coopers & Lybrand for the past two years, he has only to walk down the street from his usual office to reach the building where he is expected to spend half a day each week over the next 12 months.

The Fédération Européenne des Associations de Conseils en Organisation (FEACO) has a strong French presence. It moved to Brussels less than five months ago, away from the headquarters in Paris where it had been based since it was founded.

The new location is not accidental. It ties in with Mr Miller's top priority during his year in office: to improve relationships between the profession and the European Community. "I feel we should be taking a more proactive role," he says.

Ironically, Mr Miller assumes his role just as his firm, Coopers & Lybrand, has sent him back to London. After two years in Brussels, he was appointed head of the environmental services practice in January.

He originally joined Coopers & Lybrand in 1966 from Arthur Andersen, and returned between spells as a finance controller in the private sector, and then as a secondee to central government in the mid 70s.

He helped establish the firm's government services division a decade ago, specialising in the water industry, before rising to be managing director of the consultancy section of the partnership for three years in the mid-80s, and then spending four years in the international development arm.

FEACO was established in 1960 by the national management consultancy associations of France, Germany, the Netherlands, Sweden, Switzerland and the UK.

It now has some 26,000 affiliated consultancies in 18 countries, including members in Bulgaria, Czechoslovakia and Hungary.

All the member firms are represented by the presidents of their national associations. That includes Mr Miller, who recently finished his term with the UK's Management Consultancies Association (MCA). His new position reflects the unofficial rotation of the presidency between the different countries represented.

National associations help with particular projects, like the MCA's production of this year's international directory of members.

They also contribute to FEACO's budget, which is around £100,000, including expenses and the salaries of a part-time director general and administrative support.

The national associations provide the base for lobbying their own countries' ministries while FEACO does the same on the international stage. "The core focal point is the development of the consulting profession and its relationship with the Community," says Mr Miller.

A key campaign he plans this year is to change EC procedure on the use of consultants, by introducing pre-qualification bids. "We're not trying to stop competition, but at the moment any tender is completely open," he says.

A key campaign is to change EC procedure on the use of consultants, by introducing pre-qualification bids

He cites a recent example of an EC tender for technical advice to one of the directorates. Some 150 consultants applied. "It's not worth spending perhaps £25,000 on a proposal with odds like that."

In its place, he suggests the system used by other international organisations, with full details of the selection criteria, some indication of how many consultants have applied, and sealed bids.

Mr Miller's second priority in office will be to reflect the needs of the consultancies which are no longer based in a single country, but operate across Europe. "I want to provide training on how to run a cross-border practice, build teams, develop pricing strategies and cope with the different languages," he says.

Drawing on an initiative launched by MCA, he also plans to launch a series of private lunches with senior Community figures and members of the consulting firms to help lift the profile of the profession.

One of FEACO's principle roles is to host the annual European Professional Conference. Mr Miller plans to hold it in Prague in 1992, tied in to efforts to expand the role of the association in Eastern Europe. He sees the potential for training sessions and technology transfer to national consulting associations in eastern Europe.

Other issues likely to come under discussion during the year include the possibility of opening FEACO to direct membership of cross-border consultancy firms, in the same way as its American counterpart does, rather than simply through national associations.

Critics argue that management consulting still has a poor reputation, and nothing like the status of other professions such as accounting or academia. "I'm an accountant and a physicist as well as a consultant," Mr Miller responds.

"We haven't been around for very long," he adds more seriously. "Twenty years ago, people looked the other way. We were a very fast growing industry with a reputation for being slightly sharp. I do believe that image has now shifted, with a recognition of the quality of work we do."

Elsewhere in Europe, he admits there are problems, and sees the need to distinguish consultants clearly from the many individual lobbyists in Brussels, some of whom charge contingency fees.

However, he argues that Britain has overcome this poor status, and taken a lead by establishing ethical guidelines and professional standards which now form the basis for an international standard, ISO 9000. "The UK can hold its head high," he says.

Andrew Jack

Michael Morgan analyses the Institute's new survey

Mr M. Consultant: a profile of the typical professional

HE is a 30 to 45-year-old graduate, very possibly with a second degree, whose career is taking him increasingly into continental Europe. One in seven of his colleagues is a woman – still a minority but a substantial increase on the number 10 years ago.

This picture of a typical British management consultant emerges from the first wide survey of more than 3,200 respondents, carried out for the Institute of Management Consultants.

It is a profession that is increasingly crossing national boundaries, with half the sample finding themselves at times working in continental Europe and more than 20 per cent sometimes in north America.

Accumulated international consultancy experience

	%
Continental Europe	48
N America	21
Middle East	14
Africa	13
Far East	11
Australasia	7
S America	4

They are likely to be spending more time abroad as a result of the recession in the UK, a trend first seen towards the end of the 70s. Also, continental Europe is a growing market where, apart from Germany, the profession is not as well established as in Britain.

British consultancies are already at work in Spain, Portugal and Italy, while clients are also emerging in Scandinavia and the Netherlands. Consultants are also being called on to bring their experience to bear in France, mostly from British companies already working there.

Consultants are also turning their attention to eastern Europe. Mike Jeans, IMC president and a senior partner in KPMG, explains: "There is quite a lot of privatisation work going on there, and the UK probably has the lead in understanding privatisation issues. There is also a fair amount of work in setting up joint ventures. Most of the large practices have now set up offices in eastern Europe, so we can also offer western European companies knowledge of the local market."

For all the foreign work, only 21 per cent speak a second language, with French way ahead at 15 per cent followed by German with 5 per cent.

Able to conduct assignments in:

	%
French	15
German	5
Spanish	2
Italian	1
Dutch	1
Scandanavian	1
Portuguese	1
Welsh	1
None	79

This is clearly not proving too much of an impediment. Mr Jeans explains that consultants doing strategy work will be dealing with boards of directors and one level below, who all have English as a second language. Those involved in detailed implementation work may have more difficulty, but probably work with associate local firms which deal with the more difficult language issues."

Nonetheless, no fewer than 86 per cent were graduates and more than 30 had a second degree. Their degree courses formed a broad spectrum.

Type of degree

	%
Engineering	21
Science	21
Mathematics	8
Arts	10
Economics	9
Social science	7
Law	2
Business studies/ accountancy	13
Languages	3
Other	8

Respondents had embarked upon their work in management consultancy very much as a second career. Not surprisingly, 87 per cent had previously held a management position: 28 per cent had between two and five years' experience, and 26 per cent between five and 12 years'.

In the salary stakes last year, around a quarter earned up to £30,000 and a half between £30,000 and £50,000.

Total annual earnings (incl bonus, profit-share etc, in £)

	%
Less than 25,000	16
26-30,000	12
31-35,000	15
36-40,000	16
41-50,000	20
51-60,000	8
61-80,000	6
81-100,000	2
More than 100,000	4
No response	1

Previous business experience was varied, with 41 per cent having experience in the manufacturing and engineering sectors; almost 24 per cent in banking and financial services.

Previous experience in industry sectors

	%
Manufacturing, engineering	41.1
Banking, financial services	23.3
High technology	20.1
Oil, chemicals, pharmaceutical	18.3
Government (national, local)	17.1
Professional/scientific services	14.6
Food, drink	13.8
Distribution, transport	12.7
Retailing	12.4
Construction, civil engineering	10.1
Gas, electricity, water	7.5
Leisure, tourism	6.4

Previous business experience accumulated by function proved rather different, with 38 per cent having experience of information technology or computer applications, and 37 per cent coming from a general management background.

Previous business experience by function

	%
IT/computer applications	38
General management (multi-function)	37
Financial	28
Sales, marketing	23
Manufacturing/operations	22
Strategic planning	18
Engineering	17
Human resources	15
Distribution/transport	7
Executive recruitment	6
Other	10

The majority worked for large practices of at least 60 consultants. Information technology is clearly in the lead among services offered by consultancies.

Main consultancy specialism

	%
IT/computer applications	37
Financial	16
Human resources	11
Manufacturing/operations	7
Sales, marketing	6
Strategic planning	5
Engineering	3
Distribution/transport	2
Executive recruitment	2
General management (multi-function)	2
Other	2
No response	7

Their clients ranged from businesses with a turnover of less than $1m to those of $500m and more.

The consultants were sceptical that clients were preparing adequately for the opening of the European market in 1992, although clients' approach to investment in technology, expanding or investment and diversifying were viewed more positively.

Mr Jeans says the ability of British business to enter into the single market does not seem to be as well advanced as some European counterparts, though he believes consultants are generally ready. In some cases, even they may not realise the full impact of 1992. "A client as small as a corner shop tobacconist will, in theory, need to stock a broader range of brands and may need to abide by EC regulations on shop opening hours and minimum pay levels.

"If you believe in the single market, it will eventually become all-pervasive, to the extent that it is the domestic market. Instead of classifying work in France, Germany and Luxembourg as overseas work, the question will simply be how far it is from the home office."

Meanwhile, the issue of training and professional development is clearly exercising the consultants. More than a third received an average of four to eight days of consultancy training a year over the last three years, but much less time was spent gaining knowledge of management functions and industry sectors.

Clients are generally (%)

	Good	OK	Poor	Total
Knowledgeable re appropriate technologies	22	59	20	937
Investing in technology	31	55	14	929
Well versed in appropriate techniques	9	50	41	933
Using grant-aided consultancy	13	27	60	758
Expanding/investing	28	63	9	861
Diversifying	15	52	33	766
Preparing for 1992	9	37	54	836

Management functions in which more knowledge is required

	%
General management	58
Strategic planning	57
Financial	41
Sales, marketing	36
Engineering	5
Manufacturing/operations	16
Distribution/transport	11
T/computer applications	39
Human resources	24
Executive recruitment	5
Other	1

Among the management functions in which the consultants sought more training are strategic planning and general management.

The industry sectors in which they wanted further training were headed by banking and high technology.

Industry sectors in which greater knowledge is required

	%
Banking, financial services	51
Oil, chemicals, pharmaceutical	19
Construction, civil engineering	9
Gas, electricity, water	15
High technology	36
Manufacturing, engineering	25
Food, drink	16
Retailing	25
Distribution, transport	20
Leisure, tourism	26
Professional scientific sciences	8
Government (national, local)	19
Other	4

Training is currently undertaken by the large practices, the institute and to some extent by business schools.

The institute courses include an introduction to consulting, marketing, presentation, selling and report writing. Mr Jeans believes it has to do more on fact-finding, interviewing and other communications skills, including what he calls "change management".

"Consultants call themselves agents of change, but how do you help a client with that? What sort of programmes need to be put in place within a client company to change the culture of the organisation? It is a very traumatic process, and we have to help clients to deal with it."

Institute courses have in the past tended to be aimed at members of small practices and sole practitioners, but as it gears up to invest in new courses, the institute faces the challenge of persuading large practices to become more involved.

At present, they run their own courses, viewing training as a way of developing staff and improving their own practice cultures.

"If consultants say that our major asset is our people, then we had better worry about two things: the quality of the people we recruit, and maintaining or even improving their quality," says Mr Jeans. "The latter is done through training and professional development. People themselves demand more training today, whatever job they are in. I think that those pressures will all cause us to spend a lot more time on training in the future."

Institute of Management Consultants 1990 National Profile of Individual Management Consultants, £25 from 071 242 2140.

David Waller on the accountancy field

The worst may be over

THROUGHOUT much of the '80s, consultancy was the engine of growth for the UK's large accountancy firms. That engine is now running out of steam and some of the big firms are going through their first serious downturn for over a decade.

"We're in a bitch of a recession," reflects Clive Williams, head of consulting at Ernst & Young, the UK's third largest firm of accountants. That feeling is shared by most – but not all – of his opposite numbers at the other five of the big six firms.

"Last September we drove over the edge of a cliff," agrees Malcolm Coster, head of consulting at Coopers & Lybrand Deloitte, the UK's largest firm. "Our clients went into stall mode and quite a lot of projects were simply cancelled."

"We're bearing up," says Neville Cheadle at Price Waterhouse. "The UK market is very tough – but fortunately we have got a very good client base and the practice has been very resilient under the circumstances."

Mr Bob Simm, newly appointed head of consulting at KPMG Peat Marwick Consulting, says: "It has been a very hard market and we have had to try a damn sight harder to get the increase in business we have managed to achieved."

Only Keith Burgess, head of the UK arm of Andersen Consulting, is unequivocally bullish. This firm does appear to be defying the recession still and in February this year reported record 40 per cent growth in its UK fees to £130m for 1990.

The other five may have abandoned all hope of announcing record fee income, but they are not utterly despondent. Coopers used to be famous for the rate at which consultants left to go elsewhere: at one point not so long ago staff turnover in the department was as high as 30 per cent. One effect of the recession has been to make it less easy for people to move and Mr Coster speaks ruefully of a turnover rate now of less than 10 per cent.

With fee income under pressure, an unduly stable workforce threatens to put margins under pressure and Coopers has responded to this by "counselling out" 60 consultants. Although undoubtedly traumatic for these individuals and for the accountancy profession in general they are not significant in relation to total staffing of 1,500.

Mr Coster says fees for the year to the end of April will be close to the budgeted figure of £150m, up from £125m in the previous year. Staff utilisation stands at 57 per cent. Growth sectors include the privatisation work, utilities, and Eastern Europe. Value-for-money work takes precedence.

At Ernst & Young, Mr Williams, himself a former senior consultant at Coopers, has faced the hard task of building a large scale consultancy business out of the two weak practices inherited from Ernst & Whinney and Arthur Young, the two firms which merged to form Ernst & Young in 1989.

The difficulties of the merger have been compounded latterly by the savagery of the recession, but Mr Williams is confident that the firm now has what it did not have when the merger was completed – a consultancy operation fit for the 90s. He says that the firm's IT business, which accounts for 35 per cent of the total, has now bottomed out.

Neville Cheadle at Price Waterhouse is cautiously optimistic. Up to 60 per cent of the firm's total business is in IT. "Clients are continuing with the development of critical projects but cutting the peripheral areas. The big companies can take a long-term view of the situation," he says.

"I'd have signed in blood for these figures six months ago," says Bob Simm, looking back on a difficult initiation period as head of the division. He is pleased to have achieved a 12½ per cent increase in chargeable hours with nil growth in staff.

"The market had been very hard in certain areas," he says. "Everything has been postponed and we have really suffered in some areas. But there has been a huge upswing in our career counselling services, in cost reduction work, change management programmes and IT efficiency studies."

Mr Burgess attributes the enviable growth achieved by Andersen last year to the firm's special structure as perhaps the most tightly managed international service sector firm in the world, and its careful positioning in the IT sector.

Mr Burgess says he does not expect the firm to remain entirely immune from the effects of the UK recession. The five other big firms, which have always regarded Andersen with a mixture of admiration and horror, will watch with fascination to see how long Andersen's apparent immunity will last.

Why do companies turn to consultants? asks **Alan Cane**

It's a buyer's market in information technology

THE LATE 80s were good years for information technology (IT) consultancies in the UK. The early 90s carry nothing like the same promise.

Financial results for P-E International, the substantial management and computer consultants based in Egham, Surrey, are typical, and set the scene for the foreseeable future: between 1986 and 1989, fees and profits before tax were growing at well in excess of 20 per cent a year. In 1990, fees were £53.5m, just over 10 per cent more than the £48.3m recorded the previous year. Pre-tax profits fell from £5.6m to £4.2m.

Mr Hugh Lang, P-E chairman, commented: "In November we carried out a detailed review of our 1991 prospects, and concluded that although we expected to be able to continue to achieve some growth, this would not be at the rates planned and achieved in recent years." Restructuring measures to bring costs in line with likely revenues cost the company more than £500,000 in exceptional charges.

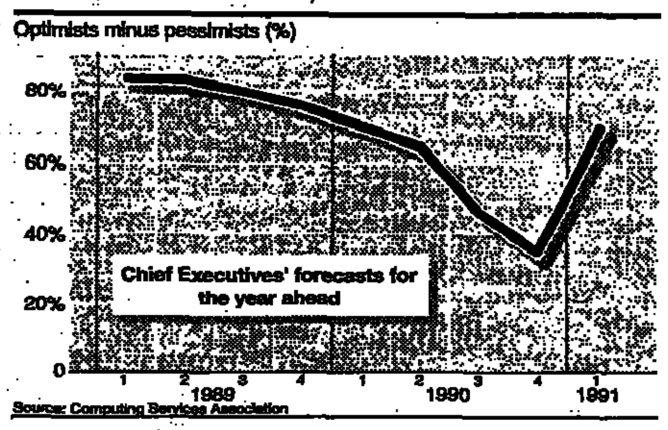
A principal cause of the decline in the market, now affecting virtually every IT consultancy, is the recession in the UK.

The computing services business is a sensitive indicator of market conditions; postponement or cancellation of spending plans affected those consultancies selling computer hardware – and consultancy services – first.

Now it is affecting the more traditional firms which offer strategic reviews or systems implementation.

One of the first effects has been pressure on fees. When the sector was growing at 30 per cent and more annually in the late 80s, fees were high. A top IT consultant could expect £1000 a day; an exceptional one, rather more.

Typically, the rate per day was three times salary. A consultant earning £52,000 a year would cost the customer £600 a day. Today, according to Dr Douglas Eyeions, director-general of the Computing Services Association (CSA), trade body for computing services companies, it has become a buyers' market and there is closer examination of fee structures – and heavy discounting.



Source: Computing Services Association

Computer services companies, nevertheless, are an optimistic lot. The accompanying graph, prepared by the UK Computing Services Association, trade body for the leading computing services companies, shows that most chief executives believe they can already see the light at the end of the tunnel.

There are several categories of IT consultancies, and as the computer business becomes tougher and margins shrink new kinds of competitors are beginning to tangle with the more traditional consultancies, creating a complex picture.

New kinds of competitors are beginning to tangle with the more traditional consultancies, creating a complex picture

First, there are the IT consultancies which grew out of the large accounting firms. Accustomed to computing as an essential part of their auditing procedures, they found it a natural move to specifying and implementing real systems.

Andersen Consulting, part of the worldwide Arthur Andersen group, is generally acknowledged as a leader in systems implementation. It has developed its own suite of computer-aided engineering (Case) tools to help in the rapid and efficient development of client software.

Second, there are the large computing services companies such as Hoskyns, BIS or Sema Group which offer consultancy as part of their overall package of offerings, which could include bespoke and packaged software, facilities maintenance and systems integration.

The line between companies such as these and smaller, specialised consultancies is blurred.

A typical smaller consultancy is EISL, based in London, which specialises in Executive Information Systems – systems which chew up a company's corporate data and spit out the most useful information in a form intelligible to senior executives.

Then there are consultancies specialising only in IT management such as Butler Cox in the UK, or the Gartner Group in the US and Europe.

Newcomers to the scene include the hardware manufacturers, anxious to find new ways of raising revenues as margins on their traditional products shrink. The UK subsidiary International Business Machines, for example, the world's largest computer manufacturer, is targeting consultancy as part of a drive into computing services in Britain. The company has only 400 people in computing services this year but hope to increase that to 2,000 by the end of 1993, chiefly by the redeployment of existing specialists.

ICL, the UK computer manufacturer owned by Fujitsu of Japan, has set up its own consultancy called IT Partners, headed by Mr Garry Hunt, formerly of the leading consultancy Logica.

Received wisdom in the industry is that through the 90s the number of IT consultancies will shrink as a process of consolidation generates a few large organisations with both the depth of skills and financial standing to tackle very large projects.

Many companies are paying lip service to the idea of becoming systems integrators – putting together the most appropriate hardware and software from a variety of suppliers – but only a few, not necessarily the largest, have the necessary internal disciplines to compete successfully in the fixed price arena.

The best known example is SD-Scicon, a leading UK computing services company, which suffered horrendous overruns on a series of fixed price, systems integration projects, leading to losses in 1990 of about £20m.

Why do companies turn to consultancies? Partly because of the complexity of modern IT. Most companies are convinced that they are failing to get the best out of their very extensive investments in computing systems and are anxious for a guide to how their performance compares with their competitors.

Otr-Pedder, for example, a consultancy based in London and Brussels, publishes a study which enables companies in particular industry sectors to compare their detailed IT costs with those of their competitors – and, more importantly perhaps, examine the areas where competitors are investing and they are not.

Then there is the problem of relating IT planning and expenditure to business policy. Often there is a communication gap between IT management and business management, and many companies feel there is advantage in seeking advice from outside.

It remains to be seen whether IT consultancy will go down the road of large one-stop shops. While the technology continues to increase in complexity, there will always be scope for the small, specialised corner store.

Management consultancy market in the EC and EFTA member states

	Total turnover 1989 (ECU million)	Consultancies (number)	Consultants (number)
Germany	4,300	5,900	35,400
UK	3,840	1,529	21,400
Switzerland	1,767	2,200	11,490
France	1,310	2,600	8,300
Sweden	1,000	900	9,500
Spain	790	246	18,000
Italy	600	300	?
Austria	597	1,100	6,100
Norway	374	520	3,000
Netherlands	270	200	2,200
Belgium/Lux.	249	280	1,650
Denmark	180	367	1,400
Portugal	124	170	1,600
Finland	112	160	920
Ireland	112	250	680
Greece	30	80	500
Europe total	ECU 15,755.6m	16,802	122,140

Source: BDU

How long is a piece of string? That has been the oft-repeated reply to questions about the size and scale of management consulting in Europe. Well, in January, the German Management Consultants Association (BDU) produced an estimate of the market. The British are often heard saying that their market is the most "sophisticated" for consultancy in Europe. Maybe so, but it is not the biggest. The BDU claims its own market takes that accolade in terms not only of turnover, but of consultancies and consultants as well. However, in terms of income per head, the British are way ahead of their continental rivals. UK consultants earned, on average, Ecu179,439 in revenues in 1989, compared with Ecu153,652 for their nearest rivals in Switzerland and Ecu121,468 in Germany. Does this reflect the scale of UK operations – and the greater ability to defray costs? Possibly. There were 14 consultants to each firm in UK in 1989, compared with 10 in Sweden, 6 in Germany, 5 in Switzerland and 3 in France – figures which underline the greater concentration of consultants in large firms in Britain than on the Continent.

Andrew Jack takes a peep behind the scenes

Strategy of the strategists

NEITHER "strategy" nor "boutique" are popular words among management consultants. Recent economic pressures have shaken many firms, driving them to consolidate, expand and broaden the services they offer.

The evidence is not easy to find. Few figures are available in this most coy sector of a secretive industry, in turn perhaps the most closeted of all the professions. Whereas large billings may have prompted their shyness in the past, recent disappointments fuel it today.

In one of the most public indications of recent difficulties, Bain sacked more than 200 of its staff world-wide late last October – or 17 per cent of the workforce. "One thing we can say is that we were the first," says Robin Buchanan, managing partner of the London office. He expects other firms to follow suit.

"A lot of companies are waiting," he says. "The Gulf war and the recession caused many to hold back. "Great change drives our business. When people stop, wait and see, it's not a great time."

At Booz Allen, John Wormald, marketing and communications director, admits business has been "softer" since the end of 1990. "We have held back on recruitment and thinned the ranks of our poorer performers in London and Paris," he says, while stressing that world-wide revenues were up 10 per cent to £500m last year.

Richard Carson, managing director of Monitor, which has 300 consultants around the world, says companies have become more sophisticated in selecting consultants. They are seeking a better return on investment and do not always return automatically to the firm they have previously used. During economic difficulties, many are deferring expenditure, he says – adding that Monitor is only slowing down because it does not want to continue growing too rapidly.

One key tactic for retaining clients is the growing switch from simply strategic analysis towards implementation of a consultant's recommendations.

"A lot of managers view strategy as blue sky. That's an indictment of a management consultant," says Mr Carson. His company tries to bring about change by working with clients without doing their job. "If I hear the client say anything about 'the Monitor strategy', we've failed," he says.

Bain has always been proud of its stress on implementation. But even the Boston consulting group (BCG), once the arch proponent of strategic analysis, has now shifted "downstream".

"Our work is broader than strategy. We help determine directions and implement change for clients," says Barry Jones, managing partner.

"In the '70s and early '80s, we were overwhelmingly focused on strategy," he says. "In the mid-'80s, there was a sea change in how we work with clients. Strategy changed from being the key product to one of a number of services."

The company has moved from "presented logic", where the consultants do the analysis, which is presented to the clients, to "discovered logic", where the client team does a lot of the work while BCG helps to lead the effort.

That has meant staff changes, too. Recruitment policies "have been given a slight tweaking," says Mr Jones. "We have always taken the brightest students. Now we place equal emphasis on inter-personal skills."

Booz Allen's Mr Wormald agrees. "It's increasingly difficult to sell pure strategy," he says. "We now place more emphasis on recruiting staff with prior experience." They also need the characteristic of wanting to help. "There's no point having hot analysts with obnoxious personalities who can't bring the team along with them."

'There's no point having hot analysts with obnoxious personalities'

The use of the word "boutique" is equally anomalous. Many of the small consulting firms have either been subsumed into larger companies, or have merged with firms overseas. BCG, for instance, joined forces with PCEK, an Australian company, last year.

Coba, which was formed five years ago, doubled its staff to nearly 100 when it merged with MID, a French firm, in 1990. "We wanted a genuinely European consultancy," says Graham Gould, managing partner. "They were having trouble breaking into the USA and we were having difficulties in Europe."

When Bain announced its redundancies last October, it also radically restructured its board, more than doubling the size and giving seats to many foreign nationals. "There was a very strong realisation that top management needed to reflect our client and employee base," says Mr Buchanan.

The company also formed a joint venture in July, 1990, with Link, founded by Abel Aganbegyan, the so-called "architect of perestroika". It will advise companies interested in investing in the USSR.

All of these international links are helping to create what Richard Parson calls "a seamless global network" of advice which a simple boutique based in one country could not easily provide to multi-national clients.

"It's difficult for boutiques to provide this service," says Mr Wormald. He sees a process of consolidation among consultants. "But the business is still driven by personalities," so you will never get a monopolistic supplier."

At the same time, consultants are reorganising their internal structures to reflect a stress on sectoral expertise wherever it occurs. "We are moving from geographical to sectoral and functional practices spanning the globe," says Mr Wormald.

In the '90s, most of the consultants see marked shifts in the type of assistance they need to provide. BCG's Mr Jones says there will be an increased focus on white collar sections of companies, "most of which are as inefficient as the worst nightmare factories".

Mr Carson concurs. "More and more companies are making decisions, not products, yet they are applying blue collar methods to manage white collar workers." Monitor is devising "activity-based costing" techniques as an alternative. It is also trying to develop "strategic architecture" to support change within corporations. "Too many companies try to reorganise their way out of problems," he says.

Coba's Mr Gould expects tougher economic times over the coming decade. "We're not going to see the double-digit '80s growth in the '90s," he says. "It's going to be harder to win new business." As a result, he suggests consultants may have to market their services much more aggressively. But that raises a lot of issues. "Marketing has traditionally been very low key and client confidentiality makes it difficult."

Mr Wormald wonders whether contingency payments – fees based on results – may become more widespread. He also poses a question: "Consulting is still an American-dominated profession. Is there any distinctive European style of management evolving?"

Rachel Johnson looks at SQW

Right place, right time

JUST downwind of the neighbouring pig farm, Segal Quince Wicksteed are an organic part of the Cambridge phenomenon – the growth of high technology industry around a university town.

Consultancies of all kinds flourished in the Lawson-Thatcher boom of the '80s, egged on by the corporate appetite for clear forward thinking at a time when borrowing was easy and the property market was rising.

This young economics and management consultancy is determined not to go under, as so many companies have, with the UK recession.

Right on the edge of John Major's Huntingdon constituency, SQW is just one of many competing for a dwindling number of commissions. It is having to try hard to convince public and private sector clients that they cannot possibly afford to postpone that feasibility study for a new business park, for example, or cancel that assessment of the Polish toolmaking industry.

Nick Segal, chairman, conveys a strong impression that he made the move to the right place at the right time – and that his company is in a strong position to ride out the recession.

South African by birth and an engineer by training, he had no wish to devote his economic skills to the forecasting game played by his counterparts at the Treasury, Bank and City financial institutions.

"The economist's tool bag is a help," he acknowledges, "but what we do best is applying micro-economic issues to projects and interpreting the external environment."

Previously at Coopers and Lybrand – as was one of SQW's directors, property and urban renewal specialist Tim Forse – he was convinced that a consultancy would prosper if it could offer clients – governments, development agencies, universities or companies – something beyond economic competence.

In SQW's case, this was expertise in public policy and corporate strategy, founded on its fortuitous Cambridge connection.

SQW's virtual *raison d'être* was the Cambridge phenomenon. In its infancy in 1985, it moved to Cambridge from Cirencester to win its first commission – for which it was "paid a peanut" – to analyse the causes of the phenomenon.

Last year, it moved 10 minutes out of the congested city centre into the market village of Swavesey. Its smart new headquarters, within sniffing distance of the pig farm, has ample parking in the gravelled forecourt and around 30 staff.

The Cambridge study, says Segal, made the consultancy's reputation as The Consultancy for work on technology transfer, links between higher education, and urban and small business development.

So much so, indeed, that they "expanded too fast", becoming a company without a proper management structure. "Like a lot of small businesses in Britain, we are learning as we go along. We're good at advising other people but not ourselves," says Mr Segal.


Nick Segal, chairman of SQW

ADVERTISEMENT

Pera International – world class

Industry matters

ASK any one hundred people and most, if not all, will agree that a successful manufacturing sector is vital to this country's future. Even those who aren't familiar with the statistics and the esoteric arguments feel, instinctively, that we need successful companies who make things, real wealth generation, as well as those who simply recycle money through services.

It's not surprising that we feel this way. The country became great on a tide of manufacturing excellence and most of us can remember when 'Made in Britain' meant quality compared with all the cheap rubbish which came out of the Far East.

How things have changed. The sad fact is that once we were a great manufacturing nation and now we aren't. No amount of political rhetoric, or suspect statistics about 'relative productivity improvements since we were elected', can hide the plain truth that in the last few decades we have allowed our manufacturing sector to wither. There's no point in apportioning blame, we're all to blame. The financial institutions for failing to understand the importance of long-term industrial health on the economy as a whole, universities for failing to produce enough good people, and governments for failing to provide any lead in the form of a national policy or even consistent trading conditions. Most of all, we in industry are to blame for letting them all get away with it for so long.

By Ron Armstrong, Chief Executive

Our future standard of living depends on us having a healthy manufacturing sector. Manufactured goods can be traded internationally. They generate new wealth rather than simply circulating wealth through services. Manufacturing contributes about a quarter of our GDP but over 80 per cent of our export income. We are not a tiny nation who can exist on niche service sectors. If anyone doubts the fragility of an economy based on service industries they need look no further than the loss of tourism created by a short war in the Middle East. We have failed continually to grasp the fact that sustained economic growth will only be achieved if we have a strong manufacturing sector which produces internationally competitive products. This hinges on one thing, investment. Investment in physical resources and in trained people.

By any commonsense comparison, our record in producing enough engineers and scientists is pitiful. Every country, which recognises the importance of manufacturing to their economy, has invested heavily in research, development, education and training. There is considerable evidence to support this but perhaps three statistics say it all.

- Japanese universities and colleges turn out nearly five times as many engineers and scientists than we do in the UK.
- In Germany 50 per cent more school leavers take part in structured vocational training programmes.
- To rub salt in the wound, each year Japanese inventors patent seven times as many new ideas as their British counterparts.

These figures are worrying enough in themselves but the underlying trends are even more disturbing. Many nations already have much healthier manufacturing sectors than ours and yet they are increasing their investment in skilled people. Just to maintain our relative position in the league we need to increase our supply of engineers and scientists, at a far higher rate than trends over the last few years suggest. We, in manufacturing industry, also need to attract the best to take up careers in industry rather than jobs where their technical training and skills are peripheral.

If we are to regain our position as a major manufacturing nation we must, in my view, have a national policy, drafted and implemented by a new ministry which is tasked with creating the conditions necessary for a rejuvenation of our manufacturing industry. The present role of the DTI is too diffuse. It covers too many types of industry and, paradoxically, has only a peripheral role in critical industrial issues such as education and training, fiscal policy and environmental legislation. The new ministry should have far-reaching powers covering those aspects of training, financial and regulatory matters, which are vital to manufacturing competitiveness. It would provide co-ordination where there is chaos, co-operation rather than competition through legislative powers designed to support conditions for growth.

Open competition, level playing fields and non-intervention, whatever that means, are all very well, provided that other conditions are benign. In the face of relative decline, intervention is not just a good idea, it's essential. After all, intervention is practised when it suits, for example, in education policy, interest and exchange rates, and in defence, so what is so special about industrial policy. It's far too late to allow intellectual dogma to provide an excuse for lack of action. The major players have failed consistently to create growth on a scale which is required and there is no evidence to suggest that they will fare any better in the future. A national manufacturing strategy may just provide the catalyst we all need.

Ron Armstrong, Chief Executive

Such a strategy will not be simple either to design or to put into practice. International trading regulations and an increasing amount of legislation governing competition policy restrict our room for manoeuvre. But there are many things we can do, such as:

- Setting national targets for the numbers of engineers, scientists and business graduates produced by academia and providing the necessary resources.
- A complete overhaul of corporate taxation providing greater incentives for investment in training, R&D and market development.
- Creating a regulated system of low interest investment finance backed by long-term fiscal guarantees.
- Stepping up the intensity of national programmes to create better awareness of industry in schools and young people at large.
- Putting even more effort into the drive for high quality innovative products.
- Requiring companies to declare expenditure on R&D, training etc., in their annual accounts and modifying audit practices to provide more accurate projections of the future health of the business.

None of these ideas are particularly new. But they are all possible provided we get rid of confused thinking and an unwillingness to act. Perhaps it's not even too far fetched to consider the designation of key national industries for investment and growth, linking them to the regeneration of our major industrial centres. This would at least be better than bribing companies to move to areas lacking in infrastructure and attractiveness to qualified and ambitious staff. The regional development agencies do excellent work but, surely it's far better to put effort into developing important industries rather than geographic areas. If we have healthy industry we won't need development areas.

It's easy to bury our heads in the sand, hope that another natural resource bonanza will come along at the right time, and to believe that, somehow, it will turn out right in the end. In my view, we've ridden our luck for too long. Our future as a successful manufacturing nation is too important to leave to chance. It's time, to not just hope it will happen, but to act to make it happen.

The international challenge

an interview with Dr Derek Fuller, Divisional Managing Director

THE COMPANY has undergone a massive change in the last six years, says Derek Fuller, divisional managing director of Pera International. As many people who know the organisation will recognise, the turnaround originated from the appointment of the current chief executive, Ron Armstrong. The transformation in this period has been dramatic and remarkable; prior to Armstrong's arrival the company was in deficit, was running at a loss and was the epitome of a sleepy old style research association. The changes in organisation, people and culture have been dramatic. All of the directors and virtually all of the middle and senior management of six years ago have gone. These changes were not without pain and heartache; particularly in a people business like consultancy, however the changes have brought a financial upturn and a new vibrant and dynamic atmosphere.

Like a number of people who have joined the company in recent years, Fuller came from another leading consultancy. Now responsible for all the professional services at Pera International's headquarters in Leicestershire, Fuller said that, like others, he was encouraged to join because of the strong position and the future potential. "Yes, Pera International has come an enormous way in the last few years but it still can and will go a great deal further. We are obviously getting something right," he said, "as while we see major consultancies contracting, no doubt as a direct consequence of the recession, we are in a period of probably the most aggressive growth that the company has seen." He went on to say that many areas of the operation were resource rather than market limited and one of the biggest barriers to growth was the problem of finding good and experienced people.

The range of services is certainly diverse, with consultancy covering manufacturing, marketing, quality, and human resource, all working closely alongside a range of technical activities where new products and processes are developed for clients fully supported by extensive workshop and laboratory facilities. Although the range of activities is extensive, Fuller believes that while continued success owes something to the ability to put together multi-disciplinary teams of experts to solve a client's problem, it probably has as much to do with a professional approach to all aspects of the business.

Membership services is yet another dimension to the business, and one which Fuller described as being akin to prepaid, short, sharp consultancy. Again it is an area that has seen significant growth in the last few years, there now being over 2000 companies subscribing to this service. A major part of the basic offering to companies in membership is providing advice and information. With fees on a sliding scale according to turnover, companies appear to be able to make an unlimited number of enquiries. "In theory this is true," admits Fuller, "but in practice this does not give us a problem; I suppose in the extreme if a company consistently made an excessive call on the service we would probably look to renegotiate the fee, but we have not had to do this, as yet!" It is a fair claim to say that this activity is 'very well established', the numbers largely speaking for themselves with a full time team of over 30 people, backed up when necessary by specialists from other areas of the company and with access to over 500 in-house and on-line computer databases. Traditionally this service had an emphasis on technical enquiries to manufacturing industry but increasingly marketing and financial information is being provided and there has been a significant increase in the number of enquiries from the service sector.

So how international is Pera International? Currently over 20 per cent of income derives from overseas and this proportion is increasing; and needless to say an increasing proportion of work, for example in product design and marketing consultancy, has an international dimension even when undertaken for UK companies. "We are now actively marketing and selling our services in mainland Europe and have staff dedicated to this, and while we do not have an office overseas as yet; watch this space!" Fuller said. Interestingly he has mixed feelings about the increase in the amount of overseas work. "For us, both corporately and individually, it is exciting and challenging. However, basically we increase the competitive position of our clients, whether through developing new products, or by improving their manufacturing operations, etc... Now the UK is a rich source of talent and when we, and others like us, work for overseas companies it only helps the balance of payments in the very short term, overall we arguably have a negative effect through helping overseas companies become more competitive and sell more product in the UK market. Really we are part of what you could call an invisible brain drain and I confess this gives me mixed feelings. It is always a little sad to see British expertise helping overseas companies move their businesses forward when we know we could be doing the same job for a UK company; but we have a business to run!"

New products improve future prospects

David Riley, Business Manager, describes some of the ideas for new "products" and services Pera International will be introducing.

CONSULTANCIES often talk to clients about "continuous improvement" but fail to apply it to their own businesses. Clearly they will lose clients if they do not re-examine constantly how well their "products" and services are received.

Pera International puts considerable effort into improving what it does. The task of its "new product development" is to review current "products" and services, compare them against what clients need and set priorities to fill any gaps.

The priorities for development come from inside the company, as well as from research. The internal ideas – usually the best ideas – come from the company's managers and staff as a result of their dealings with many different clients.

This process has led to initiatives such as "competitive benchmarking". Pera International's quality management division has found a high degree of variation between what companies consider to be important in measuring performance standards in customer service. As a result, a development programme is underway to build a European database of benchmarks. European companies will be able to compare their own measures and performance against those of competitors and high performing companies as the first step in improving performance. This approach brings "world class" standards within the reach of companies of all sizes, not just the biggest.

The membership services division is building upon its "Eurodesk" information service to help members reduce the cost of entering international markets. Work is going on to develop "international membership services" to provide information and support right from market analysis through to matching producers with new distributors at home and abroad.

The environmental engineering division is looking into the impact of the Environmental Protection Act which comes into force next year. Under the Act, many companies will need to gain approval and a qualification. But the division is also concerned about the potential costs involved in meeting the legislative standards. Consequently they are developing methods to "benchmark" environmental costs in areas such as wastage and recycling, with the objective of driving them down, while setting up the best practices required by the Act. In many cases, the result should be a net gain rather than a net cost for the client.

These are a few examples from more than twenty new areas of "product" and service development under consideration. While some of them belong to particular parts of the company, there is a common thread to them. They all address issues which Pera International believes will be central to clients facing even greater competition in future European and worldwide markets, and the company's objective is to be ready in time to help clients resist these pressures with new ways and methods.

Something New?

Legislation that could be good for business

Recent changes in legislation and public opinion are placing unprecedented pressure on industry to clean up its operations and ensure that its activities are 'environmentally friendly'.

"the amount of 'greening' has to be equated against the costs of improvement"

Some companies have responded better than others, but in all cases the amount of 'greening' has to be equated against the costs of improvement. The government is moving increasingly away from the voluntary approach by industry to a legislative basis of control. Under the new Environmental Protection Act (EPA) there will be more stringent controls on the way waste products are discharged into the environment. Companies using processes that have the potential to pollute will require registration and a licence.

To obtain a licence operators will be required to satisfy the regulating authorities that the Best Available Technology Not Entailing Excessive Cost (BATNEEC) has been employed to minimise pollution.

Accepting that the imposition of the legislation is onerous, Pera International is developing a process known as 'benchmarking'. This requires management to set objectives in environmental areas such as waste, energy usage, and recycling.

A critical action team is set up to identify targets and actions to meet the legislation and make savings in costs. With this approach Pera International believes it can turn a potential problem for industry into a profitable initiative.

A seminar on forthcoming legislation will be held at Pera International in June. Aspects of the new regulations and details of schemes for funding will be available. To attend contact Anne Fennelly on 0664 501501.

Eastern Europe: Back to the basics

Human Resources Development

Neil Whitter, Director of Human Resources, looks at opportunities in overseas markets.

JUST as the basic necessities of life, which Western Europe takes for granted, are scarce in Eastern Europe, then the basic understanding of how to run a business and training in its fundamental disciplines are equally rare. This is the conclusion of investigations carried out by Pera International's human resources division.

For some years Pera International has undertaken both management and skills training overseas, particularly in the Middle and Far East.

Now there is a surge of interest from Eastern Europe which is keen to learn the skills and expertise available in the West.

Pera International is working on a programme directed to the requirements of Czechoslovakia, Poland, and Hungary, which will help these countries begin to address such concerns as pollution controls, improving the working environment, adopting modern production methods, and upgrading the quality of the goods that they produce.

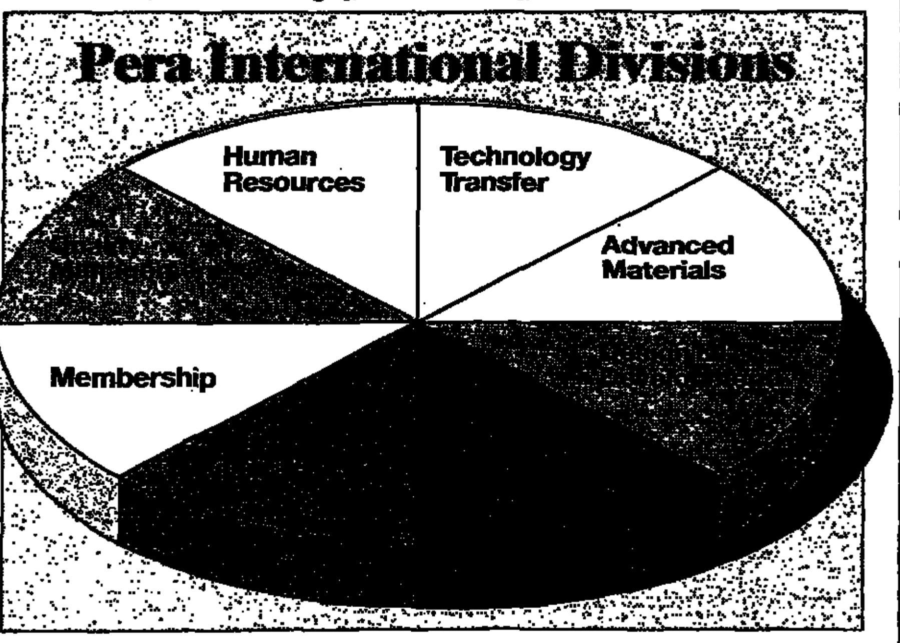
In the face of pressures on investment in training, new attitudes to cross skilling and employee flexibility, managers in the West are brought up in an environment of competition. They respond to the effect of market forces upon their business as second nature.

To the majority of people in Eastern Europe the pressures are not only new, but in most cases outside their experience. It is not a case of transferring training courses from the UK and slowing down the time of delivery, it is much more fundamental.

"They do not understand business plans, nor customer orientation"

Many people who have been brought up in the quota system even have great difficulty in understanding such everyday terms as 'the market place' let alone the 'competitive environment'. They do not understand business plans, nor customer orientation. A great many have no comprehension of management accounting, not even of the cost per unit manufactured, for example.

While this crisis is less public than the human one, it is nonetheless just as real and just as challenging – it is perhaps one of the biggest challenges the West faces in the 90s.



HUMAN RESOURCE DEVELOPMENT

Every business is a people business. Investment in physical resources may make the difference between your company being less or more competitive, but the quality of your staff will determine whether or not you stay in business at all.

Pera International's consultants have a unique track record in the successful implementation of Human Resources programmes in over 4,000 companies.

They can help you to develop practical strategies to get the best from your people both now and in the future by structuring your staff development in the way which is most cost-effective for your business situation.

They can advise on the most suitable training available and design practical programmes to help you to use new skills for competitive advantage.

Pera International

For more information please call Neil Whitter on 0664 501501.

Advanced Materials:

Putting European industry years ahead

WHILE the use of advanced composite materials is well known in high visibility items like carbon fibre racing car chassis, a quiet revolution is going on in less glamorous, but very important applications.

Composite materials in which a matrix of reinforcement, for instance carbon fibre, is combined with a resin substance represent one of the most exciting areas for new developments in engineering into the next century.

The materials' combination of light weight with strength means that their range of applications will certainly continue to grow. For the most part their use is currently in the aerospace industry and in sports goods.

The reasons for this relatively limited use stem both from real restrictions in the ability to mass produce composites items – much current production involves painstaking, skilled, manual work – to a misplaced distrust of plastics materials in some industries.

Pera International is involved currently in over a dozen projects aimed at further developing the use of composites materials. A four-year, £6 million multi-national project just launched aims to develop automated techniques for the manufacture of structural, in other words load-bearing, components in the automotive industry.

This ambitious project could have a profound impact on industry making cars lighter, stronger and cheaper to build. Its importance is emphasised by the fact that it is receiving £1 million of support from the European Eureka programme.

Thus far composites materials have enjoyed only limited favour in the volume motor manufacturing business. While several well-known vehicles, such as the Renault Espace and Lotus Elite, have moulded composites bodies, it has proved difficult to employ composites in structural applications. The reason is that no fast and reliable techniques for fabricating structural composites have yet been developed.

Pera International has carried out work which has proved the feasibility of manufacturing composites components at the required 'automotive industry rate' of one part per minute.

But this new project will also thoroughly explore relevant aspects of both the materials themselves and fabrication techniques.

Altogether nine organisations will be involved from the UK, France and Italy. It is acknowledged that 'there is nothing else' in the USA or Japan that is comparable and that the project will give European industry a lead of 'at least two years' – an enviable example of world class performance in new technology.

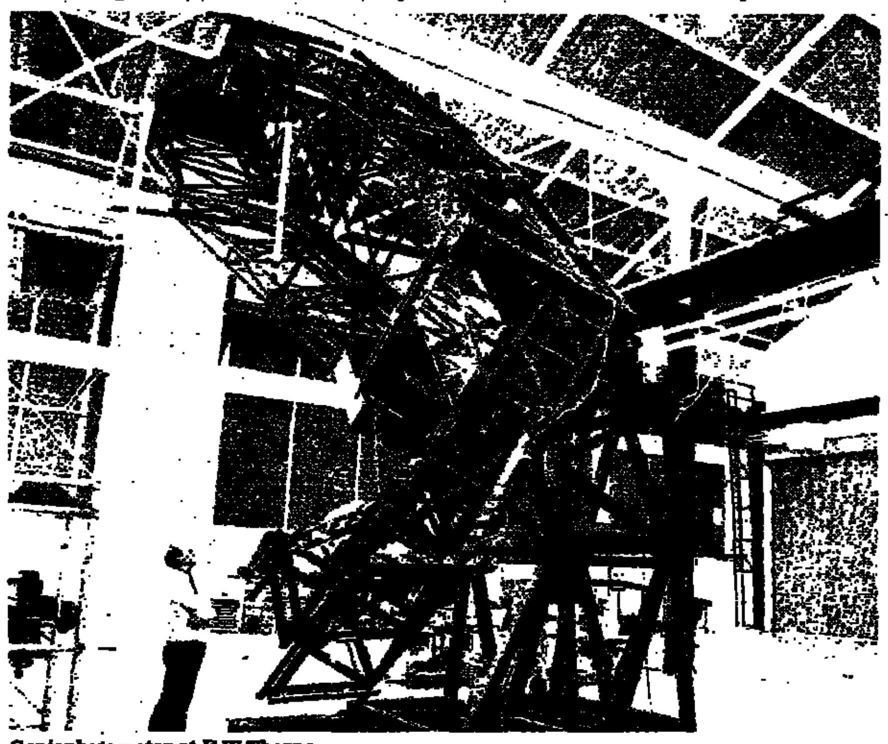
Pera International – world class

Technology on the limits – saving time, lives and money

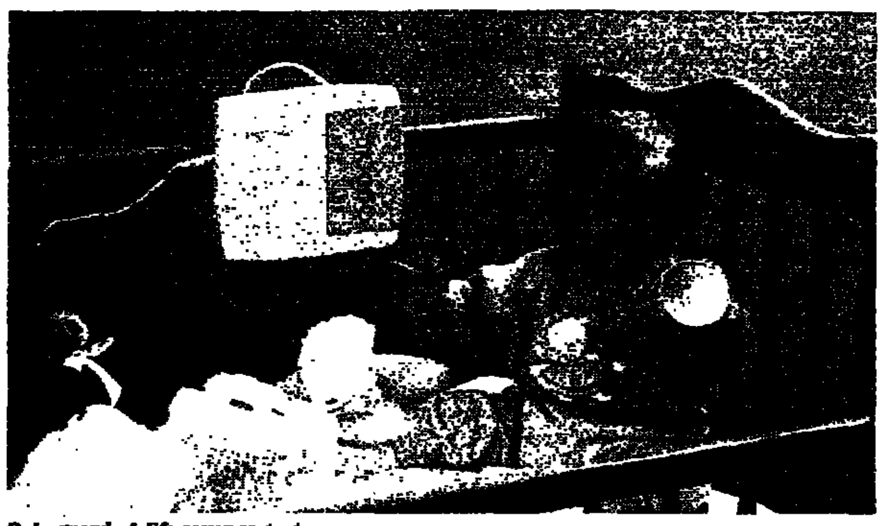
By Dr Duncan Hine, Business Development Director.

Managing any external resource is always difficult", says Duncan Hine, "and managing multiple external resources is almost impossible". Many companies discover this the hard way when they engage several organisations to act as specialist consultants on a new product design and development project. Hine, Pera International's business development director, argues that there is a better way – engage a single, multi-disciplinary consultancy able to carry out all the required work. The benefits are those of tighter control, easier communication, more cohesive team work and greater accountability. Pera International's diverse resource base, says Hine, makes it ideally suited to provide precisely these advantages.

Several projects completed by Pera International over the last year illustrate how successful this can be. The first of them involved the design and construction of a substantial piece of precision equipment called a goniophotometer for lighting manufacturer F W Thorpe of Redditch in the West Midlands. This device is an angular light meter used to test the performance of light fittings ranging from a 20 watt lamp to a 2000 watt floodlight. The machine measures the varying intensities of light at a large number of different points around the light-source. It weighs several tonnes, is nine metres tall and has a rotating arm six metres long.



Goniophotometer at F W Thorpe.



Babyguard: A life saver on test.

When the machine is operating a light sensor on the end of the rotating arm takes some 2000 individual readings from the light source. Pera International had to design the machine so that when disassembled all the component parts could fit through a normal-sized set of double doors five feet wide by six feet high.

"the most impressive statistic, however, is the degree to which use of the machine saves time"

Perhaps the most impressive statistic, however, is the degree to which use of the machine saves time. Taking the necessary readings and processing the resulting data manually used to take F W Thorpe two to three days. *That time has now been reduced* to a similar number of hours!

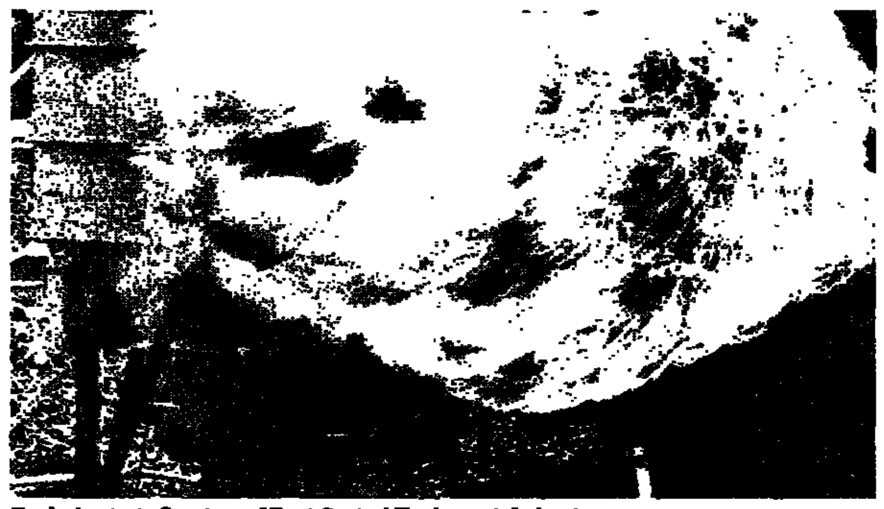
A more recent project involves a device that could hardly be more different in appearance or function. The Babyguard is a monitoring device intended to guard against the Sudden Infant Death Syndrome (SIDS), commonly known as Cot Death, which claims the lives of more than 2000 babies and infants in the UK every year.

A special sensor is attached to measure the infant's respiration without physical contact. *Given the obvious attractions of a* device which could help avert tragedy by alerting parents or medical staff to any abnormalities considerable development work was required. The device's electronics and its appearance were crucial in an item intended for both the medical and domestic markets. Solutions were created for both these major features by the team who also had to cope with several other demands, including ease of assembly and operation, low manufacturing costs and moisture resistance. The Babyguard is currently undergoing clinical trials, before volume production begins.

Finally, Pera International has been working with the British Materials Handling Board (BMHB) to define better rules for ducts and vessels subject to potential air/dust explosions. Hine says this can arise in many situations and that current systems are over designed with a consequent waste of money and resources. The team has developed a methodology which will contain an explosion once without losing integrity. Deformation is acceptable, catastrophic failure is not.

Hine says the Pera International approach could become an industry standard of great use to Health and Safety Executive inspectors.

So, whether saving time or lives, the professional, multi-disciplinary teams from Pera International can generate impressive and timely solutions.



Explosion test: Courtesy of Dust Control Equipment, Leicester.

World class performance through Total Quality Management.

Mike Farrish reports on TQM and its application at NatWest Insurance Services.

"A people methodology", says Paul Spenley, "is the single most important factor to achieve and maintain competitiveness. Without one any other investment, whether in new technology or in streamlined procedures, such as Just-in-Time scheduling, may be completely vitiated".

Spenley is Pera International's director for quality. As such he heads up the organisation's quality management division, which has the task of helping client companies implement the most fundamental people methodology available – that of Total Quality Management (TQM).

Quite simply TQM is the means by which a company puts the emphasis on people. It requires all the individuals within an organisation to be motivated towards the goal of continuous improvement and be oriented towards meeting the needs of customers. Customers also mean other people within the same organisation and not just external purchasers of goods or services. TQM is therefore a never-ending activity.

"A programme has a beginning and an end. TQM only has a beginning"

This is why Paul Spenley stresses that TQM must always be regarded as a "process" and not a "programme". "A programme has a beginning and an end. TQM only has a beginning", he says.

Instead Spenley stresses that TQM is very much about "performance measurement" – in other words about working towards realistic and quantifiable goals. Ultimately the success of TQM is measured by the performance of a company against its competitors.

"Customers", Spenley notes, "carry out competitive benchmarking all the time".

Similarly many of the customer based targets a company must set for itself in pursuit of TQM will be non-financial, but they will definitely show in the company's financial performance.

But whatever the nature of the company TQM must enjoy full and informed support from the highest level.

"TQM", Spenley remarks, "starts in the boardroom".

After an initial review of the whole company Pera International's approach to TQM therefore moves straight on to a planning workshop with the main board of directors. This has the primary aim of getting the board to elucidate a "mission statement". The board must then also determine the company's key "business drivers", what it needs to be good at to fulfil the mission statement, and the "benchmarks", the parameters against which performance will be measured.

"Once the 'top team' is fully behind the drive for TQM", remarks Spenley, "half the problems disappear".

Continuous Improvement Teams (CITs), at middle management level, form a fundamental building block of the whole TQM process meeting regularly and led by the appropriate departmental management towards key performance measures. In a TQM environment communication skills are an indispensable management attribute and must form an integral part of management training and coaching activities.

A significant benefit of implementing the team structure is that the devolution of much day-to-day problem solving to middle management and other staff leaves senior management with more time to think strategically about the company's future.

Spenley stresses the point by arguing that wherever possible all members of the workforce ought to be allowed to "set their own measures", in other words to set their own targets and standards.

"Indeed if you allow people to set their own measures they generally set themselves tougher ones than any traditional management would dare impose", he says.

A one sentence definition of TQM might therefore be that it is a top-down initiative that aims to generate bottom-up improvements. But though every TQM project will share common features each will also be unique because no two companies are exactly alike.

Pera International clients range from manufacturing right through to financial services operations. All are very different yet ultimately the emphasis is on the internal "ownership" of particular processes by the people who operate them and on "continuous improvement" in their chosen fields.

NATWEST Insurance Services (NWIS), the insurance broking arm of the National Westminster Group started out on the road to TQM with the help of Pera International early this year. According to managing director Stuart Frost the company felt that the service it was providing, while adequate, was not exceptional enough to meet the demands of an increasingly competitive marketplace. Nor was an existing quality programme delivering improvements quickly enough.

The company acted after hearing a presentation on TQM from Paul Spenley at its annual conference in the autumn of last year. Stuart Frost says that it was made obvious that a quality improvement process cannot be properly implemented without appropriate fundamental structures within an organisation. Paul Spenley also reminded his audience that the wastage rate in the financial services industry averages 40 per cent of turnover, twice as much as that in the manufacturing sector.

NWIS had its initial top team workshop in January. The team comprises five members: Stuart Frost; deputy managing director, Steve Wells; the two assistant managing directors Alan Chambers and Peter Meaday; and the head of quality service department Roy Tummon. The team decided that the company's mission statement was "to enhance our position as an established and profitable market leader in the insurance industry through being recognised as a centre of excellence."

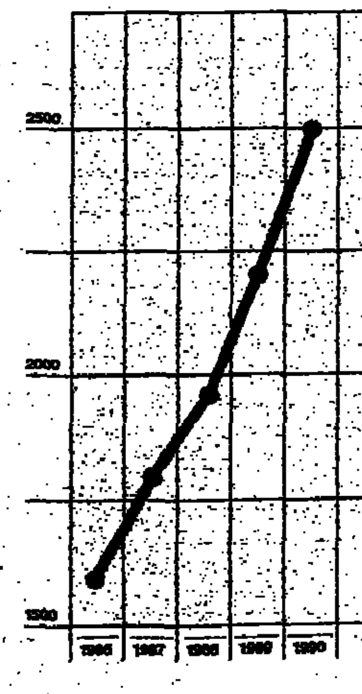
Following a thorough appraisal of the company's operations an implementation programme was agreed, one of the first steps of which has been a series of workshops for the 14 divisional and departmental heads. Three problem solving teams have also been set up to tackle vital communications issues in the areas of post, telephone usage and document retention – all key cross-company issues. *A top team member* has been given the job of championing each of these teams, so ensuring that no obstacles limit their effectiveness.

From the end of this month a further series of workshops will involve the 400 assistant managers and supervisors in the organisation. This will prepare the way for the introduction of continuous improvement teams led by members of this level of middle management.

Stuart Frost said. "The TQM campaign has already made it apparent that different individuals understand the nature of the business in different ways." There will continue to be a need to place great emphasis on the traditional measures of business performance, such as income, profits and costs, but in addition, service delivery standards, such as promptness and accuracy, will have to be seen as vitally important."

M E M B E R S H I P   S E R V I C E S

GROWTH IN NUMBER OF *MEMBER COMPANIES 1986-1990*



■ You don't have to be a member of Pera International to use our resources but membership gives you preferential access to a wide range of additional technical and commercial services.

■ Our staff are highly experienced engineers and technologists who help you to apply information in the most effective way in your business. Whether you are seeking a specialised source of supply, a company profile, or a solution to a technical problem, the information is provided quickly and without charge.

■ Members also benefit from a wide range of specific services some of which are shown below and on top of all this they can use a substantial part of their annual fee to buy other professional services at reduced rates.

■ Our members demand, quite rightly, real value for money and the fact that we have a growing membership of nearly 2,500 companies in 26 countries worldwide shows that we provide it.

■ If you would like more details of our membership scheme please complete the cut-out and post to our Membership Manager, George Hoskins.

SOME OF THE SERVICES AVAILABLE FREE TO MEMBERS OF PERA INTERNATIONAL

Enquiry Service	covering all aspects of the application of technology in your business
Information Services	direct access to a wide range of international business and technical databases
Journal Abstracts	from over 600 management, scientific and engineering journals every month
EuroDesk	for help in doing business in Europe
OTIS	access to commercial information obtained through British Embassies worldwide

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MANAGEMENT CONSULTANCY 6

EASTERN EUROPE

'New realism' sets in

EASTERN EUROPE has moved swiftly from the tyranny of the bureaucrat's plan to the terror of the consultant's bill. While the Berlin wall was still being dismantled, a euphoric "gold rush" of western advisers began and is only just beginning to ease up.

Mr Michael Grunberg, managing partner of Stoy Haywood in London, says he recalls a flight from eastern Europe where he looked around in vain to find a single business executive. "The entire aeroplane was full of consultants," he says. "I sometimes wonder if a census in Budapest would reveal more foreign advisers than locals."

Price Waterhouse, the accountants and management consultants, decided to make an early start on the expansion eastwards in 1989, and has now established offices in Budapest, Moscow, Prague, Berlin, Bratislava and Warsaw. It expects to have to ride out several more years of investment before the operations become self-supporting.

"Consulting in Eastern Europe is not for the shallow of pocket or the faint of heart," says Mr Bruce Edwards, managing partner for Eastern Europe and the Soviet region. "Companies are mistaken if they think it's quick reward territory. We're not there yet by any means."

There are heavy question marks over whether the development of large permanent offices in the east have been far too ambitious. Much of initial impetus was fuelled less by grants from enterprises and governments within the east itself, and more by opportunistic companies in western Europe which were eager to seek out joint ventures and possible acquisitions. As they have developed their strategy and built up expertise, some consultants say the demand for bought-in professional services has started to decline, though Peat Marwick says it remains a strong source of work.

A second tranche of funding has come from international funding sources, such as the World Bank, the EC, the new European Bank for Reconstruction and Development, and bilateral grants including the British "know how" fund run through the Foreign Office. These are becoming increasingly focused, although there appears to be a lack of co-ordination.

Only a modest amount of money for consultants has come from internally-generated sources, including governments and infant private sector businesses. Funds are limited, and decision makers are becoming highly selective.

The range of work is both broad and deep, with sectoral and strategic studies, privatisation work and restructuring alongside more conventional auditing, information technology and management assistance. Poland has been a common focus, reflecting the country's size and its régime's *political commitment to transformation* of the economy. At the other end of the scale is the USSR, an uncertain and very long term prospect for business. "We are there to provide lobbying and assistance, to be informed and present for when things do change," says Price Waterhouse's Bruce Edwards.

There was undoubtedly a period when small pirate firms took advantage of the booming consultancy market, offering expertise that they did not have. The list included individuals and small groups starting from scratch, as well as local companies which were originally set up to advise Western companies on how to establish a presence in the East.

However, one World Bank official involved in the region argues that many organisations paid a premium price and got sub-standard service from good quality firms "because they could get away with it". He says naïvete is fading fast.

He also questions the extent to which foreign companies will be able to continue expanding their practices. The very high daily charge-out rates, when set against the growing skills of local people and the continued language barriers, will gradually militate in favour of more indigenous consulting.

Nevertheless, Bulent Gultekin, professor of finance at the Wharton business school in Philadelphia and principal adviser to the Ministry of *Ownership and Transformation* in Poland, expects a large increase in the volume of business for consultants in the country, including those from abroad. He says many local enterprises have good technical staff, but lack marketing and strategic skills.

He suggests companies trying to generate new customers should establish branch offices to reflect the decentralised level at which many consulting contracts are decided. They also should try to bring their own funding for projects with them, he says, by lobbying their governments to provide technical assistance grants.

Stoy Haywood's Michael Grunberg says contracts in Eastern Europe represent about 5 per cent of the firm's London office billings, but he *would be reluctant to see that* figure rise much beyond 10 or 15 per cent. "We don't want to place long-term reliance on it."

He says the key to winning contracts in the East is finding local partners, and keeping abreast of the priorities of the foreign funding agencies. His firm has concentrated on the transfer of know-how, for example, and has launched a series of training courses in conjunction with the College of Finance and Accountancy in Budapest. The aim is to train local teachers who will in turn train others.

The Eastern European offices of those firms with a substantial physical presence have placed great emphasis on hiring locals. But while they are discovering people who can learn very quickly, Price Waterhouse's Bruce Edwards says it could take five years to train junior staff, and more than ten for top managers.

In the meantime, he argues, there is a need for expensive, highly skilled expatriate staff. The work requires multidisciplinary skills, sensitive handling of clients' expectations, and cultural problems. There are complicated operational problems, cultural gaps, and a vastly different understanding of business concepts.

Despite the difficulties, "the work is exciting and stimulating," *says Mr Michael Littlechild*, principal consultant at the strategy services group of KPMG Peat Marwick, which has offices in Budapest, Warsaw, Prague and Moscow, and plans new ones in Yugoslavia and Bulgaria.

"We need to give the whole organisation a once-over and create very radical change," he says. So there is a need for a varied team of staff, and tight project management. The biggest problem is not the lack of information systems or capital, which can be dealt with relatively simply, but the absence of trained personnel in local enterprises.

Mr John Lindquist, a partner with the Boston Consulting Group in London and joint leader of its Eastern European practice, is keen to counter the stereotypical view that businesses in the region are inept.

While it may take two to three years to turn a state company around, he says, it is not through lack of management, but rather a different set of priorities. There are often many quality controllers in place, for example, but using simple inspection techniques; there is also detailed cost information, but it is linked only to overall production figures.

"Overnight they have to change from a monolithic, extremely concentrated business into an extremely fragmented one where you have to find customers," he says.

Consultancy in Eastern Europe is now moving into a third, more stable phase, according to Mr Lindquist. After the initial euphoria at the start of last year, and an *overplayed pessimism during* the summer, a "new realism" has set in to provide well qualified firms with good, steady business.

Andrew Jack

FRANCE

Things are tight

AFTER two buoyant years in 1988 and 1989 and a healthy start to 1990, the sector is now going through lean times. Turnover last year totalled an estimated FF5bn, up 8 per cent from 1989, according to the professional association Syntec Conseil. This estimate covers only firms with at least five consultants, and might double if independents were included.

This compares with an increase of 15 to 20 per cent in previous years, and will probably be followed by a growth of only 10 per cent this year, Syntec Conseil President Philippe Giraud said. It might seem *ungracious to bemoan these* figures when the sector shrank by 15 per cent in the UK last year, but leaving aside computer services, management consulting remains an activity of modest scale in France.

The downturn in the sector, accelerated by the Gulf crisis, has hit medium-sized firms particularly hard. The large established firms, such as market leader Bossard Consultants and Andersen Consulting, claim to be holding up well, as are niche players. Business started to pick up in March and April, commented Gerald van Kemmel, managing partner for France for Andersen Consulting and chairman of the firm worldwide.

Like elsewhere, the nature of the work has changed in France. Customers now opt for *operational projects with quick* results, rather than long-term proposals with heavy investment, Mr Giraud said. "Companies have adopted a wait-and-see attitude towards investing, and want to ensure their survival first."

In some cases, customers insist on a pilot scheme before introducing them throughout the company, said Michel Navarra, a partner of Peat Marwick Consultants. "These days, consultants have to be prepared to roll up their sleeves and actually work on operation projects *themselves," he said.* Like Bossard, Peat Marwick is betting on a 20 per cent rise in turnover this year.

This shorter-term view means strategy specialists are going through a rough period. Andersen Consulting predicts *this area will expand by only 5* per cent in France between 1990 and 1994, against 10 per cent for management/organisation and 19 per cent for computer services.

Opinions may be divided over the outlook for computer services firms. But no-one disputes the fact that government and public sector enterprises represent the best prospects for management consultants. Cost-cutting and efficiency have become high priorities for the state-owned rail system SNCF, and the utility Electricite de France (EdF). Syntec is talking of an increase of about 15 per cent for the public sector, way above average.

For Philippe Peyre, Bossard Consultants managing director, demand is strongest from the public sector, services and industry, in that order. Local *authorities and hospitals have* also become good customers, he said. Decentralisation in France, which began in 1982, has brought local authorities on to consultants' books, as they are in charge of some own spending and have had to learn to juggle with conflicting priorities of cost and public service.

In the search for better quality, companies at one time rushed to established Japanese-style quality circles. But that fashion is over. "The problem was that although the circles existed, the management philosophy to go with it did not, said Mr Peyre.

Now manufacturers are more concerned with design-to-cost both for products computer systems, and shortening the product development cycle. They are also concentrating on *motivating personnel, and* zero stock defects, Mr Giraud said.

As for Europe, Mr Peyre has some harsh words to say about UK counterparts. Bossard is expanding in Europe and would like to acquire a firm in Britain, but finds firms are not deeply committed to Europe. "Contracts are easier with the Germans: the British still have not chosen between Europe and the US," he said.

Barbara Cassasus

Management consultancy market in France

French market	Management	Market studies	Recruitment	PR	Total
Turnover	5,000	3,500	1,050	830	10,380
Number of members*	49	41	32	27	149
Turnover '87	1,634	1,326	307	345	3,612
'88	1,946	1,521	390	432	4,282
'89	2,261	1,681	481	500	4,932
'90	3,000	1,800	500	510	5,810
Staff '87	2,828/1,560	-	569	433	-
'88	2,561/1,792	3,025	618	557	-
'89	2,843/1,990	3,305/977	719/351	605/324	7,472/3,642

Turnover figures in millions of francs *Firms employing 5 or more people

ITALY

Slick multinationals compete

"FAR FROM being a victim of the economic slowdown, management consultancy continues to grow rapidly in Italy," says Roberto Timo, of Bain, Cuneo e Associati.

Bruno Ricca, president of Andersen Consulting, shares this optimism, forecasting an increase in his firm's fee income of between 30 and 35 per cent in the current year.

This expansion is due partly to growth in the demand for management consultancy services. In a market that has not yet reached maturity, new clients continue to discover the consultancy option for resolving business problems. With the narrowing of the culture gap separating Italy from northern Europe and North America, encouraged by the *change from first to second* and third generation ownership of family firms, Italian businessmen are increasingly willing to commission outside assistance.

The growth being enjoyed by the big consultancy firms is also partly caused by structural changes in a market characterised by considerable fragmentation. While numerous sole practitioners and small management consultancies are still a feature of a market in which there is only a handful of firms of significant size, this is changing.

Concentration in management consultancy is underway. Italian clients are now seeking greater professionalism from their consultants and the quality assurance that is offered by large, structured firms.

"The trend favours large international firms," says Mr Ricca. He expects, however, that niche consultancies will continue to have a role.

Andersen Consulting is successfully riding the trend. Indeed, some management consultants consider that the firm has been setting the pace in Italy over the past two decades. With 950 staff led by 33 partners, Andersen Consulting is Italy's biggest management consultancy firm, significantly outstripping all its competitors. Fee income *amounted to L102bn (£46.55m)* in the year to August 1990.

Operating from 7 offices, all in northern and central Italy, with Rome being the furthest south, Andersen Consulting offers a service that embraces the strategic, operational, technological and organisational aspects of the businesses of its clients. Reflecting its audit parentage, initially most of Andersen Consulting's work was concerned with accounting and financial systems. Links with the firm's audit side have since become tenuous.

Andersen Consulting's work is divided almost equally between industry and the financial sector. About 6 per cent of its fee income is generated by projects undertaken for public sector clients. "Recognition of the need for greater efficiency in public services will lead to an increasing amount of consultancy work being commissioned by Italy's state utilities," predicts Mr Ricca. However, he considers the opportunities in local government and municipal services *will be slow to develop.*

The company is heavily involved in information technology, including detailed analysis and software programming. Some Italians in the field consider, however, that software work is not part of real *consultancy business. Others* would exclude highly focused firms, like those specialising in logistics, organisation and treasury, and sole practitioners, from the definition of management consultants.

They claim that only those firms advising top management are true consultants.

Both McKinsey and Bain qualify on this definition, the pair strenuously competing for leadership at Italy's corporate summit. The contest has been a gripping feature of Italian management consultancy over the past two years, with Bain's aggressive performance eroding McKinsey's position.

Until two years ago McKinsey enjoyed a comfortable, almost uncontested, place. This was upset by the resignation of Gianfilippo Cuneo after 22 years,to create his own firm, and to join with Bain to form Bain, Cuneo e Associati. Some 15 of McKinsey's best consultants left with him.

Severely weakened by these staff losses, McKinsey has been virtually eliminated from work in the industrial sector.

Several factors caused the split. "McKinsey is not oriented towards implementation. But this assistance is fundamental. Consultants need to direct their efforts from 'teaching' to 'assisting in doing'. Implementation is where the client is best able to differentiate between good and bad consultants," says Mr Cuneo.

He considers that management consultants can only guarantee confidentiality by not working for clients whose *interests do not conflict.* "Whereas McKinsey is willing to work for two or more competing clients, we only undertake assignments for one client in any sector."

Moreover, Mr Cuneo believes McKinsey's US parentage leads to US clients being given precedence over Italians. The association with Bain avoids this while at the same time offering the benefits of a global network.

In the two years since it started, Bain, Cuneo e Associati, which now employs a staff of 60 consultants, has established a dominant position in giving strategic advice to Italy's leading industrial corporations. It is now turning its attention to the financial sector, where McKinsey still holds a dominant position in board level consultancy.

McKinsey is also being challenged by the accounting-based management consultants like Andersen Consulting and KPMG Peat Marwick, and so too is Bain. "Our involvement in M&A and increasing activity in feasibility studies and other strategic consultancy is bringing us into direct competition with McKinsey," says Franco Masera, partner at KPMG Peat Marwick Consultants.

These challengers are highly competitive on fees. The average daily rate of a consultant from KPMG Peat Marwick is L1.5m. At Andersen Consulting, fees depend on the type of work, itself a function of the staff qualifications and experience. The firm's clients incur average daily fees that range from L2.5m on top level strate*gic planning studies to L1.0m* for implementation of information technology projects.

Bain's policy is not to discuss fees. But given consultants' salaries that are conservatively estimated as one third higher than those paid by the accountancy-based management consultancies, and the fact that the work undertaken by Bain and McKinsey is always at the top end of the market, their average daily fees are probably from L4m.

"A large gap separates our fees from those of McKinsey, which can obtain significantly higher rates," says Mr Masera at KPMG Peat Marwick. Bain concurs fees are not an obstacle in developing its business.

The key issue is whether the client is being given, or believes he is getting, value for *money. Italy's big firms con*sider that the continuing growth in demand for their services confirms that the market is generally satisfied with the product they offer.

Fierce competition and growing client awareness and *sophistication should ensure* the quality of management consultancy in Italy will continue to improve. "The consultant must be increasingly creative and business-oriented, as only in this way will he be able to give significant added value to clients," says Mr Cuneo.

David Lane

PROFILE: KPMG Peat Marwick Consultants

LATER this year, the Italian firm of KPMG Peat Marwick Consultants will open its seventh office. Reflecting significant expansion and expectations of continuing strong growth, the firm will have added four provincial offices to its network in the past two years. The new office in Naples will follow the establishment of offices in Bari and Palermo last year and Bologna in 1989.

"A permanent presence is needed in order to serve medium-sized clients. The type of work undertaken for them often calls for frequent, relatively brief contacts, and these would be difficult to arrange and much more costly if made by staff from our main offices in Milan and Rome," says Franco Masera, partner in charge of the Rome office.

Mr Masera has been with the firm since 1980, experiencing the boom that took the payroll from 10 to the current level of 100 professional staff. The 80s were exciting years, particularly the end of the decade when growth was explosive. "Four years ago KPMG Peat Marwick employed 25 professional staff. Now it is well beyond the critical mass," says Mr Masera.

"We do not expect dramatic changes over the next four to five years, but we are forecasting real annual growth of *around 20 per cent, which will* cause a doubling in size," he says. This is clearly good news for the 30 managers, whose prospects of joining Mr Masera and the other 5 members of the partnership are considerably enhanced. Promotion hopes are good also for the firm's 30 senior and 35 junior consultants.

Mr Masera admits, however, that his firm may face problems in staffing the growth, partly because of competition from other firms in recruiting high-fliers with one or two years' experience. "Our resources are highly qualified, around 20 per cent holding Italian masters degrees and a further 20 per cent holding masters degrees from leading foreign universities," he says.

"We look for two qualities when hiring: motivation and flexibility. But these are precisely the qualities that lead to mobility and create problems in retention. Our staff have very high career expectations." Consultants are normally promoted to managerial *level at about 30, and the* usual age of entering the partnership is 35.

Expectations are encouraged by salaries that are significantly higher than those enjoyed by other graduate employees of similar ages. *KPMG Peat Marwick pays its* senior consultants between L45m and L70m annually,

while managers earn from L70m to L120m.

As with its sister consultancy firms throughout the world, KPMG Peat Marwick in Italy couples the high salaries paid to its staff with demanding professional challenges. A broad range of projects is undertaken in many manufacturing industries and service sectors. "We have a balanced client base. Banking and insurance provides about 40 per cent of our work, with manufacturing and the public sector each providing 30 per cent."

Less than one fifth of fee income (L23bn in 1990) comes from clients of the KPMG Peat *Marwick audit firm in Italy*, a separate partnership. In fact only about 10 per cent of revenue is derived from assignments in the field of financial and accounting systems.

The biggest area of activity is strategic planning, in which projects generate around 30 per cent of revenues, followed by information technology which provides 20 per cent of fee income. Mr Masera emphasises, however, that the firm is not involved in detailed analysis work and software writing.

Having broken through the critical mass barrier and established itself as a leading player, independently of its audit connections, what is the firm's strategy for the 90s?

Alongside territorial expansion, KPMG Peat Marwick has also been focusing on some *specific niches. About three* years ago it targeted M&A, and this has since become an important area both for image creation, with the firm winning a high profile position, and for work, with M&A services generating about 15 per *cent of turnover. More* recently KPMG Peat Marwick has formed an alliance with Citicorp to provide services to assist Italian banks in responding to the Amato Law.

Mr Masera attributes the firm's quick progress to two characteristics: "rigorous professionalism", and "accurate focusing on key sectors".

The trend to diversification

THE BORDERS within the consultancy business have *never been more blurred now* that computer services firms are moving into the territory of management advisers.

Soget SA, the parent company of France's Cap Gemini Sogeti, the biggest computer services firm in Europe, began its diversification last year when it took a majority stake in French management consultants Gamma International. That was followed by the acquisition of the US firm United Research last summer, and in January by US management consultants the Mac Group Inc, with teams in six European countries, plus Japan and Hong Kong.

The downturn suffered by many in computer services is not Soget's reason for breaking into management consultancy. Cap Gemini Sogeti *reported* a *net profit increase* of nearly 19 per cent last year.

"More and more of Cap Gemini's customers were asking for collaboration on problems of major technology projects linked to their specific activity," commented Jean-Pierre Durant des Aulnois, Sogeti's development director.

The two branches of the group will remain separate. "We don't believe in a supermarket concept," Mr Durant des Aulnois said.

It is too soon to tell how much cross-fertilisation there will be, since only a few projects have used both skill bases so far, but "discussions are under way with a number of clients who now want to talk to us about global solutions," he added.

Other French computer ser*vices firms that have spread* into management consulting include Compagnie Generale d'Informatique (CGI), which took over the Eurequip in early 1988, Dataid, which set up a 50-50 joint venture with Peat Marwick, and Steria.

Rubert Mallet, chairman of CGI, France's oldest computer services firm, agrees that the need for global solutions is enormous, but says companies are not fully aware of it yet. "A computer installation is *necessary for just about* any project these days, even in human resources," he said. More customers are using both services offered by CGI group, even though the numbers are still small, he added.

Arthur Andersen has been offering the twin skills of management consulting and computer services for many years. Its consulting group is betting on 19 per cent growth rate for this sector between 1990 and 1994, against only 5 per cent *for* strategy consulting and 10 per cent *for* management/organisation.

Reflecting the growing demand for integrated consulting services, the Andersen consulting payroll has added 100 people since last year, according to Gerald van Kemmel, managing partner for France. *Recent reports on redundan*cies here are false, he said.

Despite the sector's woes, Mr Durant des Aulnois is also bullish about the future. The world "must distinguish between the short-term economic impact and longer-term trends", he said.

SCANDINAVIA

Recession deals the local industry a body blow

INDEVO, one of Scandinavia's leading management consultancies, is confronting problems of the sort it is normally paid by others to solve.

Its bid during the 80s to become a power in the European consultancy sector proved unsuccessful, while a diversification of its activities also ended in failure. Its owners were then forced to file for bankruptcy protection after the collapse of Indevo's proposed merger with Bain & Co last year burdened them with sizeable debts.

Mr Ulf Hubendick, the Indevo president, believes however that the firm will prosper, although as part of a big international consultancy group. He predicts Indevo will have been sold by the end of the year, which will solve the owners' debt problems.

"We are optimistic about the future," says Mr Hubendick.

He says Indevo made a profit of SKr27m (£2.7m) during the first quarter, after suffering a loss in 1990, despite the recession that is gripping Sweden.

Other management consultancy firms have not been so lucky. Several leading firms in Sweden have filed for bankruptcy, and more closures are expected.

While the market for management consultancy services in Sweden grew by an annual

Several leading firms have filed for bankruptcy, and more closures are expected

rate of 10-15 per cent during the 80s, it has shrunk by an estimated 20 per cent during the past year to around SKr1bn. Demand for services in the other Nordic countries, each of them about half the size of the Swedish market, has also fallen, with the most severe downturn occuring in Finland, which has the worst performance in the region.

Although the consultancy business is expected to recover in the next several years as the Nordic economies improve, one legacy of the recession is that international management consultancy firms are likely to strengthen their position in the Nordic market at the expense of local competitors.

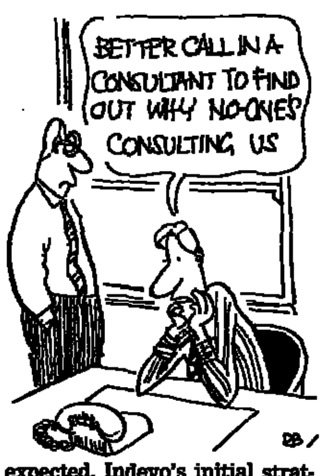
The experience of Indevo is a case in point. Established in Gothenburg in 1971, its fortunes were initially linked with those of Mr Jan Carlzon, who used the services of the firm when he was president of Linjeflyg, the domestic Swedish airline, and then Scandinavian Airlines System.

Mr Carlzon's success in reviving the airlines resulted in Indevo gaining more blue-chip corporate clients, including Asea and Saab-Scania, as well as such state agencies as the Post Office and the Swedish State Railways. Indevo became the largest management consultancy firm in Sweden, claiming a fifth of the market.

Its roster of Swedish multinational companies fuelled ambitions for Indevo to expand into Western Europe and challenge such international consultancy firms as McKinsey and Booz Allen. "We wanted to be the European competitor to the big US companies," says Mr Hubendick.

Indevo decided to raise capital for its European expansion by being listed on Stockholm's over-the-counter market. It also diversified into other sectors such as executive recruitment, corporate advertising and corporate finance to achieve positive cash flow.

But expansion into Europe proved more difficult than



expected. Indevo's initial strategy of establishing its own offices in various cities, including Oslo, Helsinki, London, Zurich, Brussels and Madrid, proved expensive, and returns on the investments were slow.

Indevo then sought to buy other consultancies in Europe, but its efforts were frustrated by high purchase prices. In addition, some European consultancies expressed reservations about being bought by a Swedish firm. "We were regarded as coming from a peripheral part of Europe that was not even a member of the EC," Mr Hubendick recalls.

Indevo suffered a further setback in 1989 when its planned merger with Infina, a Swedish financial group, collapsed. The merger was designed to help support Indevo's international expansion, but Infina finally balked at the size of the investment.

Infina's withdrawal from the venture forced Indevo to conclude its plans were too ambitious. When Bain & Co in May 1990 offered to buy Indevo in order to establish a presence in Scandinavia, the Swedes accepted. "Our attitude was, if you can't beat them, join them. We saw the merger as achieving our goal of being part of a global network," says Mr Hubendick.

But mounting financial problems for Bain forced the US firm to pull out of the deal six months later. This created financial difficulties for Indevo's 80 partners, who had staged a SKr310m management buy-out of the firm as a preliminary step to transferring ownership to Bain. Moreover, Indevo's executive recruiting operations were suffering losses, while interest rates were climbing.

'We diversified so much that we lost the focus ... We are returning to basics'

As a result, the ownership group controlling Indevo recently filed for bankruptcy and created a new holding company in co-operation with its biggest creditor, Skandinaviska Enskilda Banken, as part of a financial reconstruction.

It has sold its finance and executive recruiting subsidiaries. Its corporate advertising agencies, Welinder and Blanking, will also be sold, leaving Indevo to concentrate on management consultancy. "We diversified so much that we lost the focus on our TMC (Top Management Consulting) subsidiary. We are returning to basics," Mr Hubendick says.

He acknowledges Indevo tried to expand too quickly. "We are not supermen. We took business risks like any company and we simply did not succeed. As I tell my clients, it is OK to make mistakes. What is wrong is not to correct them."

John Burton

GERMANY

Chipping away at mountainous problems in the east

"NEVER," says Mr Werner Knetsch, "was the use of consultants so much in demand and so necessary as in connection with the economic integration of Germany's new eastern states."

Anyone who has even an inkling of the problems associated with sorting out the chaotic economy of east Germany and aligning it to western standards will know what Mr Knetsch, head of the new Berlin office of Arthur D. Little, the US-owned management consulting firm, means. As the lid was taken off the rigidly planned East German economy after the border was opened in November, 1989, the true and wretched state of the country's industry emerged: an underdeveloped and overloaded infrastructure; acute cost burdens; an unbelievably high level of vertical integration; a weak service economy; poor productivity; and an almost total lack of management, marketing, and financial skills.

Since these are some of the things management consultants are supposed to try and put right, it is not surprising that they have been keen to set up in east Germany. But the problems are more fundamental than those of restructuring individual companies in the west, or advising on such aspects as technology, personnel, or costs.

Money, management skills, marketable products, confidence are missing

In east Germany, the whole economy needs overhauling, not just parts of it. Companies lack money, management skills, marketable products, and, perhaps most importantly, confidence. Forty years of a communist régime enforced with Teutonic efficiency have left people reluctant to show initiative and take risks.

"It was a very rigid, inflexible system," says Mr Wolfhard Schwarz of Hartmann & Partner, a Düsseldorf consulting firm which has set up in the east German town of Erfurt. "Where any other company would not have thought twice about ordering parts and materials from a western supplier, they had to make everything themselves." This led to vast overcapacity of equipment and jobs, the reduction of which is causing painful social problems.

Even companies which were not starved of funds – most had to remit all profits to the east Berlin government, receiving only a tiny proportion back – and could thus invest, find the going tough. Mr Schwarz cites the case of a diesel-engine maker which had spent heavily on new plant, but of a kind which no west European company would now build, namely an assembly line where sections were inflexibly linked together.

In cases like these, the only option is to sell the equipment through foreign contacts. India is likely to buy some of this company's machinery. But even if operations can be streamlined and products made acceptable to the west, huge job cuts are needed at east German companies.

However, it is not simply a matter of struggling to turn companies around, or at least those with a chance of surviving. Mr Tom Sommerlatte, the European managing director of Arthur D. Little, based in Wiesbaden in west Germany, argues for a more forward-looking approach.

Unlocking the real performance potential of east German companies is a much more challenging and necessary task, he said at the recent opening of the Berlin office. It involves the development of regional economic structures within which firms can thrive.

East Germany, he reckons, "is not a suitable parade ground for the pure market economy".

This broader approach involves the transfer of know-how to the east, with universities and research bodies playing a part, as well as the forging of partnerships between manufacturers, suppliers, and service firms. In Mr Sommerlatte's view, it also requires not only the privatisation of east German companies through their sale to west German and foreign concerns, but also the return of many to their former owners, and the sale of others to their managers.

The idea of management buy-outs is gaining ground in east Germany. Hartmann's Mr Schwarz feels management buy-outs offer a way to future corporate prosperity, noting that the Treuhand, the east German privatisation agency, is now keen on such ventures.

In the view of Mr Eugen von Keller, a partner in Roland Berger, the German consultancy owned by Deutsche Bank, management buy-ins should also be promoted. "The Treuhand has to think about how to bring over management capacity from the west". One way would be to enable managers to buy equity in the firms they are hired to run, so that they would have a stake in their future growth.

Berger, based in Munich, has set up a Berlin office to co-ordinate its business in east Germany. For some types of company, Mr von Keller sees fairly bright prospects. These are in fields where local presence and contacts are essential, as in building and services. "The management potential is there, or it can be provided through management buy-ins."

'The management potential is there, or it can be provided through buy-ins'

Some companies, like Radeberger beer, already have a well-known name and good managers, he points out. Others have found competent managers from the ranks of middle management – in most cases, the top level is burdened with past political and economic mistakes – and also have good technical people.

The real problem areas are heavy industries like shipbuilding, mining, and steel. Here, real corporate survival specialists are required, and these mostly have to come from the west. For sectors like electronics, chemicals, and textiles, the collapse of eastern European markets has been a blow, but better products and more imaginative management and marketing can make a big difference.

Mr von Keller cites the examples of two textile companies that Berger is advising. One, making curtains, has a name in the west and could be in profit next year. The other, producing materials, has already cut its workforce by half and will have to shed more workers; its new range has led to rising orders, but break-even is two or three years away.

Although management capacity is in short supply in the east, firms like Hartmann and Roland Berger have tried to recruit east Germans as consultants. Hartmann took a nucleus of six people from a local unit of the big Robotron electronics concern for its Erfurt operation. "You can't just send in managers from the west," says Mr Schwarz. "They don't have the feeling for local conditions. They are seen as know-alls." As Mr Knetsch pointed out in Berlin, east Germans' experience with consultants has not always been favourable. "Pseudo-consultants" flocked eastwards to earn quick D-Marks. Some are still around, but it is the heavyweights and specialists among the consultants that are now most needed in the east.

Andrew Fisher

SPAIN

Much catching up to be done

IN THE second half of the 80s *consultores* became the trendiest professionals around in Spain and *consultorias* started to spring up like mushrooms on Castille's mountain ranges after the first autumn rains.

Andersen Consulting, a by-product of Arthur Andersen, had 1,400 consultants three years ago, has 2,370 at the latest count, and continues to hire 300 graduates a year. Small, specialised firms such as Harper and Lynch were one-person shows in 1988. That firm's founder, Kambiz Goharriz, now employs 40.

"The management consultancy market here is still immature, and the potential is huge," says Manuel Balmaseda, chief executive in Spain of the US-based Hay consultancy group. Working the human resources niche, Hay's turnover has increased from \$2.5m three years ago to an expected \$6.5m-\$7m this year, and it has tripled its staff to 70 consultants.

The demand for expert advice goes right across the board of the consultancy business, and the common theme is that there is a lot of catching up to done. "Spain has ancestrally arrived late to everything and now suddenly it wants to get in early," says Jose Luis Carrascosa of Andersen Consulting. "We are a tortoise that is becoming a hare."

Domestic business was roused from its slumbers when Spain joined the European Community in 1986 and was startled out of bed when foreign firms made Spain a favoured investment target.

European membership and now the prospect of the single market has changed the goal posts on the playing pitch of Spanish business, and the players need new trainers to teach them the new market rules. "When there are great discontinuities, drastic changes such as the new European environment, there are typically important opportunities for those who offer outside expertise," says Marcial Campos Calvo Sotelo, chief executive of McKinsey in Spain.

"Europe was a catalyst. Suddenly a business discovered that a French company was opening up next door and that a German firm had acquired one of its rivals," says Assis Martin-Oar, the senior industrial marketing executive at Sofemasa, the Spanish arm of France's Sofres. "Overnight, the Spanish business faced new products and new publicity strategies that threatened its livelihood and so it came to people like us to sort out its problems."

The auditing branch of the consultancy business has boomed because the implementation of EC directives has forced domestic firms to professionalise their balance sheets. The introduction of information systems is a second high growth area and a company such as Anderson Consulting can have as many as 100 of its partners spending at least a year permanently seconded to a firm that is overhauling its hardware.

Companies specialising in broad business strategy have found rich pickings in an environment marked by mergers and acquisitions and where, as one senior consultant put it, "there is still everything to be done". McKinsey, traditionally discreet about its operations, admits to a consistent and sustained growth of its business in Spain.

Arguably the most creative

and most complex area of the consultancy market in Spain concerns human resources. "There is real leverage to be gained simply from transferring management skills from north to south," says Anthony Pralle of the Boston Consultancy Group. "There is a big demand from firms which want to know how things are done in Europe and consultants who can provide comparisons have a lot to offer."

Skills and tricks, ranging from the introduction of new products to the market segmentation of existing ones, can pay immediate dividends.

The complexity sets in when firms and their consultants face up to the rigidities of a managerial tradition in Spain that is the antithesis of the flexible and decentralised management of the 90s. Employees in general adhere to a highly regulated system of job classifications and also to extensive labour laws that protect against dismissals which evolved during the Franco period of economic autarchy, and have stoutly lived on in a new democratic and market-orientated climate.

"You are up against changing a corporate culture that revolves around what you do and not how you do it," says Enrique de Mulder, the human resources expert at the Hay group. Salaries in Spain are structured to the person and his or her seniority and not to the job. Job evaluations and performance appraisals, incentives and bonuses are all new notions in the Spanish environment. While the pace of foreign investment in Spain may have ebbed, the consolidation of such acquisitions requires considerable industrial relations expertise.

"Middle management, where you find people anchored to their jobs and protected by a legal system, is very problematic," says Kambiz Goharriz, chairman of Harper and Lynch. "There is a terrible inertia and you come across firms that have their hands tied because they cannot afford the dismissal payoffs."

The firms that call in outside help find a second problem when it comes to meeting the fees that govern the consultancy business. Hay's chief executive, Mr Balmaseda stresses that the future of the *consultaria* business depends on one level on changing what is a necessity for expert advice into a demand for it. On another, it rests on the ability of the consultants to improve the quality of their services.

The onset of 1993 should step up the demand, and the growing regiment of *consultores* should, because of the sheer weight of its number, lead to increased competitiveness and improved services.

Tom Burns

OCIE set to stand on a few toes

PARVENU or threat. Mr Christian D. de Fouloy would probably object to both appellations, yet he has ambitions for consultants in Europe which, at the very least, may well tread on the toes of FEACO.

Mr de Fouloy is secretary-general of the Organisation des Consultants Internationaux Européens (OCIE), located in Geneva and founded in April this year.

OCIE has two aims:

- To become "the voice" of consultants throughout Europe and to represent and protect their interests in Europe; and
- To assist people of organisations – especially the supranational organisations – in formulating their consulting needs and finding the appropriate consultants.

To the latter end, it plans to seek consultative status with the United Nations and its associated agencies, and the European Community.

Mr de Fouloy says the benefits of belonging to OCIE are many:

- The organisation plans to publish an annual registry of "international consultants";
- To represent its members in intergovernmental, non-governmental and regional organisations;
- To offer improved monitoring of consultancy *opportunities offered* by international agencies (the World Bank, and the like) and advise members on how best these business opportunities might be taken advantage of; and
- To act as a clearing house for information concerning the profession.

Membership of OCIE is open to individuals and companies.

The principle qualifications for admission are 10 years' experience in conducting international assignments, and recognised qualifications in at least one functional specialisation.

Applicants must submit a biographical sketch detailing their skills, consulting experience over the past five years, and the countries in which they have served

OCIE, 15 rue du Cendrier, CH-1201 Geneva

Simon Holberton

Christopher Lorenz on a controversial thesis

Management of change

ASK almost any company, successful or stumbling, to say which issues are at the top of its priority action list for the '90s, and it will declare that one of the highest is nothing less than the transformation of its corporate culture, organisation and behaviour. Such an all-round revolution is needed, it will argue, in order to cope with faster-moving competition, and other accelerating changes in the business environment.

Naturally enough, more and more consultancies and training organisations are also pounding into the "change management" field as fast as they can go – only this week Ashridge, the British-based management education organisation, announced the formation of an "international institute for organisational change", based in central France.

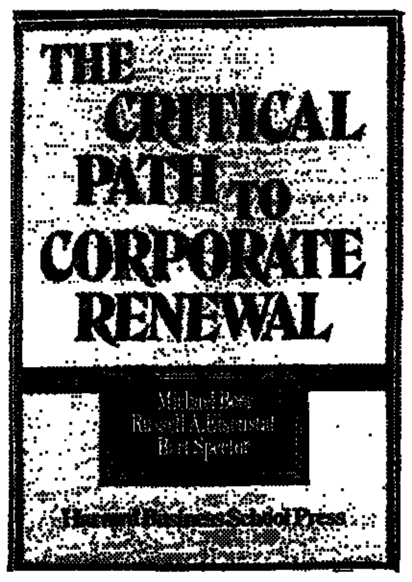
Quite a number of individual academics are also "converting" to the topic: not just specialists in organisational behaviour and human resources, but also strategy experts. Some of them, at Insead and elsewhere, are internationally renowned, but not all: one does not need a first-class mind to spot both a huge consulting opportunity and a fascinating subject for study.

So it is not surprising that a book which appears to challenge most conventional wisdom about the management of corporate renewal has caused quite a stir in its home territory of the United States. Europe, too, has been feeling its first ripples since an article based on it appeared in the Harvard Business Review just before Christmas. At almost any seminar on change management this year, the book has proved a controversial talking point.

On close inspection, however, it is not quite what it seems – nor what the authors, academics Michael Beer, Russell Eisenstat and Bert Spector, have claimed it to be.

Beer and company certainly summarise their message at the start of the book in eye-grabbing fashion. They claim that:

■ Starting corporate renewal at the top is a high-risk revitalisation strategy *not* employed by the most successful companies.



■ Change efforts that start by creating corporate programmes to alter a company's management culture are inherently flawed, even when supported by top management.

■ Formal structures and systems are the *last* things an organisation should change when seeking renewal – not the first, as many managers assume.

■ Effective changes in the way an organisation manages people do *not* occur by changing the organisation's human resource policies and systems.

■ Organisations should start corporate revitalisations by targeting small, isolated, peripheral operations, not large, central, core operations.

■ It is not essential that top management consistently practise what it preaches – "walks as it talks" – in the early stages of renewal, although such action is is undoubtedly helpful.

These claims are certainly refreshing and provocative, especially the first, second and last. But they are also decidedly thin compared with the body of the book, which is altogether more subtle. Time after time, it qualifies such upfront statements.

For instance, having castigated top-down "programmatic change", the authors go on to say that they mean that company-wide programmes are useless or even harmful "in isolation" – that these can play an important role, but that they need to be "offset" by interventions at the level of individual business units.

In other words, the book's definition of "programmatic change" is so narrow as to limit the validity of much of its criticism. Reading the book with care, one suspects the authors have indulged in the creation of "straw men" arguments in order to grab attention and make headlines. Either that, or the average American company (their target audience) is more prone to simplistic change programmes than its European counterpart: to the latter, much of what the book argues, in its fine detail, will seem commonsensical.

This is not to gainsay the book's value, as a comprehensive aide-memoire, either to a company already in the midst of change, or one contemplating how to spark such a process.

Its most fundamental point strikes at the weakness of most existing change efforts: their reliance on altering people's behaviour by first changing their knowledge and attitudes.

In reality, the authors argue forcefully, the key to successful revitalisation is a redefinition of work roles, responsibilities and relationships, in order to align them with the main competitive challenges of the business. This "task alignment" (realignment would have been a more precise word for this concept, which runs like a leitmotif through the book) will force new behaviour on people, thereby changing their attitudes.

"Task alignment" differs from programmatic change partly in that these changes are made without first modifying the organisation's formal structure, say Beer, Eisenstat and Spector. In this they echo an emphasis on informal reorganisations which has become a running theme of management literature in the last few years.

A second very useful insight is the book's secondary leitmotif, of three Cs: co-ordination (the need for cross-functional teamwork if an organisation is to find, and act quickly upon, opportunities to improve the cost and quality of its products or services); commitment (throughout the organisation); and competence (again universal).

There is also considerable merit in the book's advice to top and senior managers on:

■ How to create a climate for change;

■ How to mobilise energy (with a so-called "velvet glove" that looks mighty heavy by the standards of participative European companies); and

■ How each leader or manager can develop a mixture of "hard" and "soft" behaviour which is convincing, rather than inconsistent.

Two other helpful maxims are tucked away deep inside the book. First, that "to follow the critical path successfully, an effective leader must be clear about ends but flexible on means". Second, that at any level of an organisation, "revitalisation occurs only when there is a consensus among key organisational members that its benefits outweigh its risks".

Principles such as these are just as applicable in organisations with a considered, differentiated approach to renewal as in those which have fallen for the Beer trio's *bête noir* of crudely "programmatic" change.

But one's caveats remain. Especially irksome is Beer and company's apparent provision of carte blanche for corporate top managers not to bother, in the early phases of renewal, to force themselves to practise what they preach (a precept which for years has been deemed fundamental to change management). The book later makes clear that this degree of latitude applies only to corporate management, not the heads of divisions or business units.

Moreover, having declared that renewal can hardly ever be successful if initiated from the top, the authors go on to concede several times that this is perfectly possible, provided the top has the sense to plant the initial seeds of change in selected units far from head office, rather than blundering right across and down the organisation in a fully frontal fashion.

"Any one of the [corporate] actors can begin the process of revitalisation", just so long as each recognises its own limitations, the trio concludes.

The Critical Path to Corporate Renewal by Michael Beer, Russell A. Eisenstat & Bert Spector. Harvard Business School Press. £19.95. US$24.95.

Wilf Altman looks through the literature

What's new on the bookshelves

IT SEEMS appropriate to start this round-up of some of the more impressive recent books on management with a brand new ringside view of this booming industry which now penetrates most boardrooms in Britain:

Management Consultancy – The Inside Story

by Clive Rassam and David Oates (Mercury Business Books, £25.00). The authors have probed diligently, talking to a wide range of consultants and clients, profiling some leading consultancies and offering a selection of illuminating case studies which seek to supply the answer to the question why some of the world's most successful companies have an apparently insatiable appetite for outside expertise.

Expertise is, of course, the key, and it applies to such new developments as IT and other specific management disciplines, but also independent, objective advice, especially at times of boardroom upheavals, and a preference for outside help in cases of restructuring, trimming excess fat and planning new strategies.

Price Waterhouse was the first of the "big eight" UK accountancy practices to enter the management consulting arena deliberately in 1948. Today, significantly, Neville Cheadle, the senior partner of the firm's management consultancy services in Europe, joined as an engineer, advising clients on production and stock control systems.

Accountancy firms apparently started to move into management consulting as long ago as the late '20s when companies in financial difficulties were referred to them by the Bank of England and City institutions. To the extent that the City is now far more concerned about companies in which significant institutional funds are at risk, future prospects for consultancy, whether supplied by the big names in the profession or by the growing army of independents, appear rather promising.

Modern Competitive Strategy

by Sharon Oster (Oxford, £24.00). Are academic economists really competent to analyse the harsh realities of markets and competition in the turbulent '80s and '90s? What this book is clearly concerned with – and examines with some insight – are the values of a range of management concepts and principles, especially strategic planning.

Strategic planning is claimed to be a way of informing and improving the choices which can be made by an organisation. It's about creating and managing change, although the author admits that such planning was often ineffective in the USA in the '70s and '80s because it failed to offer a formula for making money.

Understanding Company Strategy

by Brian Houlden (Blackwell, £16.50). "Plans which are based on numbers projected into the future are worthless," Sir Adrian Cadbury writes in his erudite foreword. "Since the numbers will be wrong in any case," he argues, "extended budgets of this kind remain untouched in desk drawers which is the best place for them. What matters is the thinking behind the numbers."

The book's focus is on practical examples of strategy, or lack of it. Why, for example, did Cadbury Schweppes diversify and buy Typhoo and Jeyes? And why did it take so long to divest and improve performance? How did Jaguar plan a successful new strategy? What influenced ICI's development of a more strategic direction?

Thinking strategically may appear as difficult as fighting for growth when the name of the game is survival, but the author makes the most convincing case yet why strategy and strategic planning are critical to success.

Successful Business Operations

by Len Hardy (Blackwell, £25.00) complements an earlier work, Successful Business Strategy, and is unashamedly about winning, by a man who achieved success with a corporate trading giant in one of the toughest marketing battlegrounds known.

What the former chairman of Lever Brothers offers is not so much the cut and thrust of battles fought and often won, but a step-by-step textbook approach based on his considerable distilled experience as well as a no-nonsense rundown of the interplay of marketing techniques employed in a variety of situations, which form the book's chief strengths.

Charting the Corporate Mind

by Charles Hampden-Turner (Blackwell, £16.65) roams the field in stimulating style from white products to motor insurance, from television sets to personal computers, from Europe to America and from West to East, in order to examine how strategic dilemmas are best resolved.

The result is a fascinating study of management at Shell Oil, Apple Computers, Hanover Insurance, Hotpoint, Creda, Thorn and others. The author's aim is to broaden the definition of intelligent corporate thinking and action to include more than technical rationality "which tries to identify the most logical and efficient means to achieving the goals set for the organisation".

The Employee Revolution

by Kevin Thomson (Pitman, £24.95). Just what, it may be asked, is corporate internal marketing? Thompson's explanation is that "just as external became an accepted part in business practice, so will internal marketing take its place in successful organisations within the next decade".

The concept of corporate internal marketing is that highly sophisticated marketing techniques normally targeted at external customers – to persuade them to buy a product or service – can be used to great effect on employees. This dramatically improves their understanding of an organisation's objectives, plans and action, thus raising motivation and productivity, reducing staff turnover and absenteeism, creating better teamwork and less resistance to change. Will marketing directors rather than personnel executives now seek to win the hearts and minds of the newly enlightened workforce?

Competent to Manage

by Mick Silver, ed. (Routledge, £35.00). Contributions by 28 top managers, academics and consultants combine to underline the scale of the problem of training for managers and entrepreneurs examined in this book, and "the luck of the draw" for those who benefit from the right mentors. Yet how can any formal management training teach innovative, entrepreneurial and creative skills?

Professor Charles Handy's conclusion is that Britain's development of managers is still a muddle. "There is much that is good in what is currently done, but there is no clear pattern of consistency. It is hard for a young man or woman to know how best to prepare themselves for a business career or for management; it is hard for a firm to know what they should expect by way of pre-entry preparation and what they should do thereafter to help someone develop. Because it is unclear, too many young people and too many firms do nothing."

Entrepreneurship Education

edited by Calvin A Kent (Greenwood Press, £35.95) affirms that although Britain's diverse routes and views on training for management are almost clear cut compared to the profusion of entrepreneurship education programmes in the States, the same critical attitude permeates the debate. A veritable explosion of courses aims to develop an entrepreneurial attitude at all stages of the educational process.

A notable contribution argues whether the views of Austrian economists Schumpeter, who equated entrepreneurship with innovation on the grand scale, *à la* Rockefeller and Morgan, would have been appropriate today when a process of incremental innovations rather than giant leaps forward is needed.

Joining the Inner Circle – How to Make It as a Senior Executive

by Ernest Auerbach (John Wiley & Sons, £19.95). Robert Townsend, Mark McNamara and Tom Peters are now joined by a new American author with a down-to-earth success formula for "making it" on to the corporate ladder in the first place, surviving and succeeding in the senior ranks. This book is aimed at the highly ambitious, and offers a very readable step-by-step guide and a game plan for winning for those who really want to make the big time in large corporations.

Auerbach writes from considerable distilled experience. A lawyer by training and a former US Army Colonel, he was President of New York Life Insurance's Worldwide Holding Inc, and has also held executive and legal positions with Xerox, NL Industries and INA. The fact that he has also held senior appointments in Europe brings a neat global touch to a narrative which might otherwise have proved insular in today's competitive international business setting. What makes Auerbach's approach of particular interest is his analytical breakdown and commendable personal philosophy and style.

FINANCIAL TIMES
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INSIDE

Hanson profits edge ahead in first half

Hanson, the acquisitive Anglo-US conglomerate, has reported a 3.2 per cent rise in interim pre-tax profits to £568m ($1.01bn). Most of the growth came from its US industrial division which included a six-month contribution from Peabody Coal, the mining company acquired in April 1990. Hanson is looking for further takeovers, although Lord White (left), who heads the group's US businesses, said that current share prices failed to reflect the lower earnings that many companies were now reporting. Page 26

Union sets tough test

Chile's year-old civilian government is this week facing its most critical labour issue so far. The Copper Workers Confederation will be pressing for large wage increases when pay talks begin with the state copper corporation, Codelco. After General Augusto Pinochet's 16-year dictatorship, the unions are bristling to test their strength. Lesley Crawford reports. Page 30

Last stitch stand

At lunchtime on Friday hostilities will cease between textile groups Coats Viyella and Tootal. That is when votes will be counted to see whether Coats has won enough shareholder support to win control of Tootal. Alice Rawsthorn looks at what will happen if the bid succeeds. Page 28

Tender mercy from Ministry

Tenders are not often used in Japan, but a concession by the Ministry of Finance could make them more popular. The Ministry will allow Japanese investors will to submit bids for shares in the two Scottish electricity companies to be privatised this month at the same time as applying for them at the fixed price in the offer. Clare Pearson reports on how the Minstry has relaxed regulations on public offers. Page 24

Two US insurers file for protection from creditors

First Executive Corporation, which takes in the Executive Life unit in California and the smaller Executive Life of New York business, has filed for protection from its creditors under Chapter 11 of the US Bankruptcy Code in the Los Angeles courts. Also, Citibank and other senior lenders to First Capital Holdings, parent company of San Diego-based First Capital Life Insurance, filed an involuntary bankruptcy petition, to place FCH in Chapter 11. Page 22

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				Falls			
Heidelb Zem	1190	+	40	[illegible]	705	–	35
Mannheim Vers	670	+	20	Peugeot	554	–	16
Falls				Roussel-Uclaf	2030	–	120
Colonia Vers	1228	–	30	Saint Louis	1400	–	35
Continental AG	185	–	12	Sanofi	833	–	39
Hapag Lloyd	400	–	25	Taittinger	3525	–	112
Porsche	870	–	25	TOKYO (Yen)			
NEW YORK ($)				Rises			
Rises				[illegible]	1440	+	100
Amer Express	23¾	+	¾	[illegible]	980	+	84
GTE Corp	33⅞	+	½	Toho Bank	860	+	100
Falls				[illegible]	1070	+	100
Chrysler	12⅞	–	½	Falls			
Exxon	58⅝	–	⅝	[illegible]	1200	–	100
Ford	32½	–	¼	[illegible]	1280	–	100
Gen Motors	38⅞	–	¾				

New York prices as at 12.30pm.

LONDON (Pence)							
Rises				Croda Intl	168	–	6
[illegible]	475	+	27	Granada	173	–	5
[illegible]	28	+	8	Grand Met	785	–	15
[illegible]	86½	+	8½	[illegible]	118	–	5
ICI	1158	+	57	Reed Intl	413	–	11
[illegible]	195	+	17	Smithkline Bchm	787	–	23
Scapa	244	+	14	Std Chartered	358	–	12
Falls				Sun Alliance	367	–	13
Alliance Res	25	–	10	Utd Newspapers	340	–	13
Apollo Metal	125	–	5	WPP	180	–	10
Boots	541	–	23				
[illegible]	27	–	13				

Continental divided on Pirelli talks

By Katharine Campbell in Hanover

SENIOR officials at Continental, the German tyremaker which last week saw the sudden departure of its chief executive, yesterday made public their disagreement about the aims of the company's talks with its Italian tyre rival, Pirelli.

Board members appeared principally divided about whether a merger of the two businesses constituted the ultimate goal of talks due to start at the end of the week.

Only days after Mr Horst Urban, the chief executive, resigned, the new speaker of the managing board, Mr Wilhelm Winterstein, attempted to downplay any change in company strategy.

"We will sit down [with Pirelli] at a common 'round table' without preconditions, and discuss possibilities for mutual co-operation," he said.

He added that the absence of preconditions meant that Pirelli's original proposal for a merger, ultimately giving the Italian group control, had now been withdrawn.

Mr Winterstein argued that a merger made "no economic sense whatsoever", given the uncertain direction of both companies' earnings in coming months.

Mr Ignolf Knaup, the finance director, complained that the Italians had still not disclosed the identity of their supporting shareholders, which at one stage allegedly represented 51 per cent of Continental's capital.

Mr Winterstein has been appointed as the more egalitarian "speaker" rather than with Mr Urban's former title of chief executive. Yesterday he heard other board members speak more positively of the Pirelli talks.

Mr Günter Sieber, responsible for tyre marketing and sales and who will accompany Mr Winterstein at the first round of talks, described as "progress" the fact that both sides could talk about "all forms of co-operation".

He said Mr Winterstein was stressing the short-term disadvantages of a merger. That was quite different from dismissing the longer-term possibility.

The head of ContiTech, Mr Peter Harverbeck, also saw as positive the fact that personal frictions between Mr Urban and the supervisory board were past.

However, Morgan Grenfell, the UK advisors called in by Mr Urban to repel the Italian's initial approach, have been retained.

While a central point of Continental's original Pirelli rebuff had been its stronger earning, the Germans yesterday revealed that net income for 1991 would be "clearly down" on 1990.

That would affect the dividend, the company said. Continental halved its dividend to DM4 a share for 1990 after a 59 per cent decline in net profits to DM93.4m.

The poor outlook for earnings was blamed on the group's loss-making General Tire operation in America, faced with keen price competition and a fall in output in the US car industry.

For the first quarter of 1991, group tyre sales improved 14 per cent, but the D-Mark value of US sales fell back 14 per cent - giving, with a 22 per cent jump at ContiTech, the non-tyre operation, a 9.4 per cent growth in total group sales to DM2.2bn.

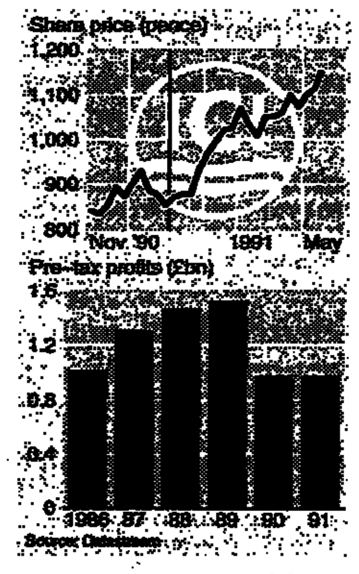
For the whole of 1991, Continental expects sales to improve by about 10 per cent to DM9.4bn.

In for the kill or a motive for merger?

Clive Cookson looks at the secret buyer of ICI shares

If Imperial Chemical Industries lives up to its old reputation as the bellwether of British industry – and if the UK economy is indeed on the brink of a revival – then the timing of yesterday's mysterious ICI share buyer could be masterly.

"I suspect that the second quarter of 1991 will be the nadir for ICI and that there will then be a slow recovery," said Mr Jeremy Chantry, chemicals analyst at Kleinwort Benson Securities. He is in the camp that believes "ICI is one of the best recovery plays for 1992".



Others feel that ICI's own structural problems and the over-capacity of the worldwide chemicals industry mean that its shares are overvalued. For example, Ms Jinty Price of BZW said that at £11 the ICI share price already fully discounted a recovery in earnings before 1993.

Assuming that yesterday's buyer does not want to sit quietly on a 2¼ per cent stake in ICI, there are two possible motives for the swoop. It might be the first move by a predator such as Hanson which wants to dismember ICI and sell off its constituent parts at a profit. Or it could be a strategic move by another international chemical group interested in collaborating with ICI or in buying a business.

Although mega-bids are out of fashion in financial and banking circles, "this might be Lord Hanson's crowning glory", said Mr Chantry. Hanson could come up with the £11bn ($19bn) that would be probably be required to bid successfully for ICI.

Anyone attempting to take over ICI would face intense political opposition. ICI's pull in the corridors of Whitehall and Westminster diminished steadily during the Thatcher years but, as Britain's largest manufacturing company, it still wields considerable influence. The unions would also campaign vigorously against a predator which threatened to run down ICI's 53,000-strong UK workforce faster than the company's existing management is already planning.

The chairman, Sir Denys Henderson, launched a restructuring programme in February, aimed at focusing ICI "more selectively on strong businesses which can play a truly global role". It will involve some closures and divestments, but will not amount to a full-scale unbundling of ICI.

"We do not see the long-term benefits of demerging, unbundling or spinning off major businesses," Sir Denys said in an interview with the Financial Times in February. "When you look at the successful German, Swiss and American chemical groups, none of them is talking about unbundling or spinning off businesses."

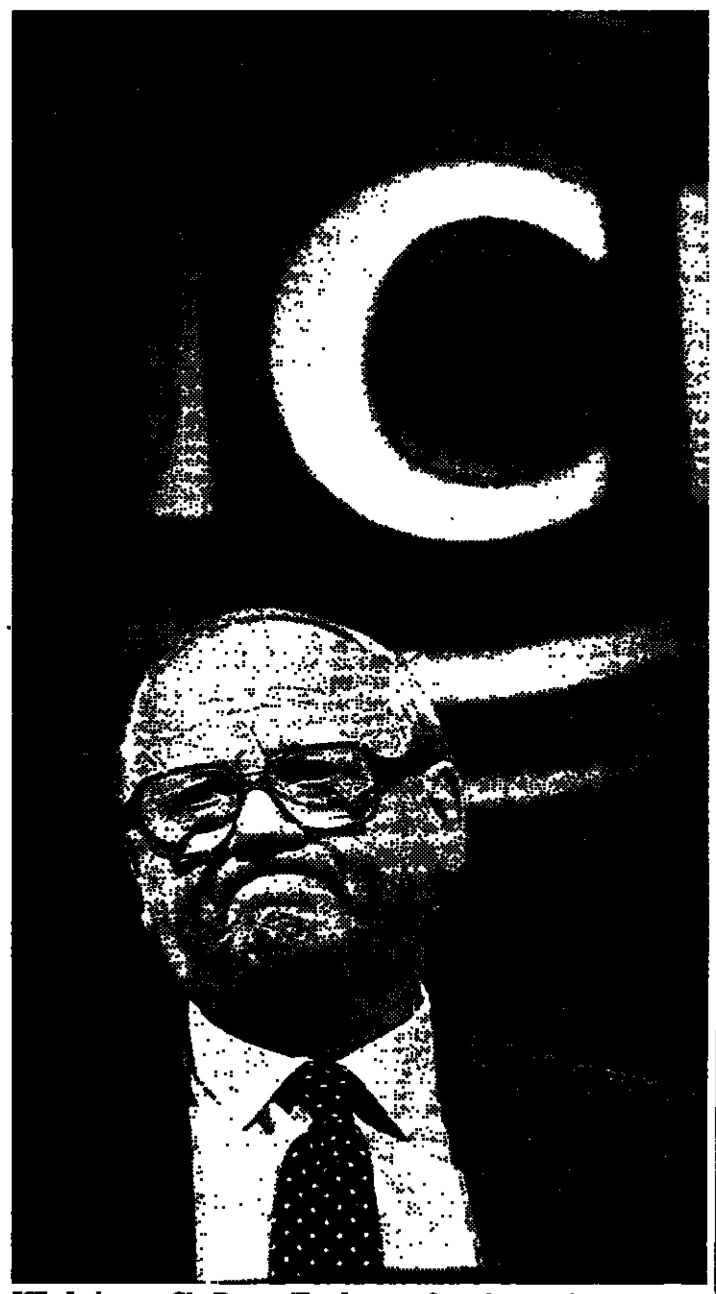
A UK-based buyer such as Hanson, BTR or Shell could probably overcome the political obstacles and take over ICI; but only if it paid enough to win over the financial institutions and the company's loyal private shareholders. A foreign company, even from the EC, would probably find those obstacles insuperable.

"Whatever you think of ICI, chemicals are one of Britain's few industrial success stories," said one analyst. "There are very few other sectors in which one of the world's top five companies is British."

If the buyer is another chemical group wanting to press ICI to agree to a joint venture or business deal, then the most likely target is ICI Pharmaceuticals.

The drugs business is widely seen as ICI's most prized possession. In 1990, it contributed 47 per cent of ICI's profits on just 11 per cent of group turnover.

ICI Pharmaceuticals would be a tempting partner for a chemical group which wanted to build a global drugs business. If combined with a similar-sized drugs company, ICI Pharmaceuticals would provide a solid base to take on giants such as Merck and Bristol-Myers Squibb of the US, or Glaxo and SmithKline Beecham of the UK.



ICI chairman Sir Denys Henderson: focusing on 'strong businesses which can play a truly global role'

Generali issue aims to raise L1,760bn

By Haig Simonian in Rome

ASSICURAZIONI Generali, Italy's biggest insurance group, is raising about L1,760bn ($1.4bn) through a complex rights issue involving 145.75m new shares.

The shares will be issued at L12,000 each. The company will also issue new warrants on a one-for-four basis.

Generali, which is one of the bidders for part of the business of the UK's Export Credits Guarantee Department, gave no indication as to how it intended to use the new funds.

In a variation of its dividend policy, the group is paying L160 per share, against the L350 per share dividend and one-for-10 bonus share which was paid the previous year.

However, the latest dividend also includes one free savings share in Alleanza, the life insurance group controlled by Generali, for every 250 Generali shares held.

Based on current market prices, the value of the total payout would be 14.9 per cent above that made the previous year, according to Generali.

Net profits last year fell to L351.2bn from L390.2bn in 1989. The setback, largely expected, reflects the increasingly heavy underwriting losses affecting most of Italy's big insurers, on motor and fire insurance in particular. The company gave no figure for consolidated group profits last year.

Generali made some L162.1 bn profits on the sales of securities, and a further L24.5bn on property transactions last year.

Group premium income, including inter-group reinsurance premiums, rose by 16.1 per cent to L15,635bn. Adjusted for disposals and other changes, the increase was 10.7 per cent.

Premiums at parent company level rose by 13.6 per cent to L6,253bn, of which L3,954bn derived from Italy and the rest from abroad.

Premiums on liability insurance rose by 11.8 per cent to L3,785bn, while life insurance premiums jumped by 16.3 per cent to L2,468bn.

● Westdeutsche Landesbank, the German bank, expects 1991 group operating profit to be about 1990's Dm800m ($467m), Reuter reports.

Chairman Friedel Neuber said earnings in the first months of 1991 had been satisfactory. First quarter group operating profits of Dm240m were 14 per cent above one quarter of the total 1990 results.

The bank's full results are to be released later this week.

Daimler-Benz to cut costs as profits rise 4% in quarter

By Andrew Fisher in Frankfurt

DAIMLER-BENZ, the German motor, aerospace, and electronics group, has embarked on an ambitious cost-cutting programme to strengthen its profitability in the face of currency fluctuations and rising domestic costs.

"By 1995, we plan to save roughly DM4bn ($2.3bn) a year," Mr Edzard Reuter, the chief executive, said. He gave no details, but said all parts of the group would be affected. In the long term, it could mean group employment would grow abroad, but not in Germany.

Daimler yesterday announced a 4 per cent increase in group net profits to DM420m for the first quarter of 1991. Turnover was also 4 per cent higher at DM19.8bn. European Community sales were 12 per cent higher at DM13.4bn, with all the growth coming from Germany. Foreign sales suffered from economic downturn and the continued weakness of the dollar and yen.

Last year, the strength of the D-Mark against the dollar and the yen lopped DM2bn off sales. Turnover in 1990 was 5 per cent higher at DM85.5bn, with pre-tax profits down by 10 per cent to DM4.2bn. Net profits were 6 per cent higher at DM1.8bn; at unchanged exchange rates, they would have been DM400m higher.

The group, which sells almost 15 per cent of its Mercedes cars in the US, suffers when the dollar is weak. However, Mr Reuter said the currency effect on profits would be more favourable this year. The dollar has strengthened recently.

Mr Reuter expressed optimism about the current year. He said he expected Daimler's conservatively calculated operating profits to turn up again. Turnover for the year should be 10 per cent higher at DM94bn. "The dry spell is not yet over, but its end is approaching and we expect profitability to improve."

In 1990, earnings per share were down from DM51.05 to DM47.90. Mr Gerhard Liener, the finance director, said: "There is no reason why we should be satisfied with them." Cash flow, however, was 12 per cent higher at DM6.7bn.

To stem losses at its AEG electronics subsidiary, the group hopes to agree the partial sale of its Olympia office equipment unit.

Ford UK falls into £274m loss

By Kevin Done, Motor Industry Correspondent, in London

FORD of Britain, the UK subsidiary of the US car maker, suffered a dramatic financial reversal last year plunging into a pre-tax loss of £274m ($424m) from a pre-tax profit of £483m in 1989.

The company said yesterday that it was still operating at a pre-tax loss in the first quarter. Mr Bill Brooks, finance director warned: "If we project forward from where we are today we will not make a profit in 1991."

The pre-tax loss, the first since 1971, was influenced by the financial burden arising from the US carmaker's £1.56bn takeover of Jaguar, the UK luxury car producer, at the end of 1989.

The acquisition was formally carried out by Ford of Britain, which its troubled US parent company has left to carry the financing costs and to absorb Jaguar's heavy operating losses.

Ford itself is running up losses on its North American automotive operations and has chosen not to inject fresh equity to strengthen the stretched balance sheet of the UK operations.

Ford of Britain said that its £274m pre-tax loss took into account a £66m pre-tax loss by Jaguar and interest (£235m) and goodwill (£34m) costs arising from the takeover.

Operating profit, before interest charges and other financial items, fell 73 per cent to £136m from £499m. The operating performance would have been even worse but for a change in the method of accounting for depreciation which resulted in an £84m credit to the operating profit.

Excluding its non-automotive businesses and the impact of the Jaguar acquisition, Ford of Britain said its pre-tax profit fell by 87 per cent to £61m from £483m in 1989.

The group made a record pre-tax profit of £673m in 1988, and its second-best ever profit of £483m in 1989.

Mr Derek Barron, chairman and chief executive of Ford of Britain, was forced to take a second successive pay cut last year by 30 per cent to £214,066 from £305,884 a year earlier and £333,357 in 1988.

Excluding Jaguar, Ford yesterday blamed its financial set-back in 1990 on the "effects of a weakening market resulting from a deepening recession combined with lower production volumes because of industrial action."

Its performance was in sharp contrast to other leading carmakers operating in Britain. Vauxhall, the subsidiary of General Motors of the US, Rover, the British Aerospace subsidiary, and Peugeot-Talbot, the subsidiary of Peugeot of France, suffered only modest profit declines in 1990 of less than 15 per cent.

Allied-Lyons confirms its commitment to brewing

By Philip Rawstorne in London

ALLIED-LYONS, the UK drinks, food and retailing group, yesterday set out its new management strategy in an effort to restore investor confidence shaken by the £147m ($254.31m) loss on its foreign exchange dealings earlier this year.

Mr Tony Hales, who takes over as chief executive in July, ended months of speculation by announcing that the group would remain in brewing.

At the same time, he sharpened the focus of Allied's food operations by announcing that Lyons Maid, its ice-cream business, and Sapori, its Italian bakery business, would be sold.

The appointment of a new group finance director is expected in the next few weeks. A short-list of candidates has now been compiled.

The news, combined with a solid underlying trading performance revealed yesterday in the group's annual results, would reassure institutional investors, said analysts.

They suggested that the decisive approach of the new management team, to be headed by Mr Michael Jackaman as chairman, would help restore confidence.

Some remained sceptical, however. Further evidence would be needed to judge the effectiveness of the new style, they said.

The market generally expects pre-tax profits this year to climb to £680m-£700m, and Allied's shares closed 2p up on the day at 552p.

The group had examined a number of options for its brewing operations, including disposal of the breweries and a variety of alliances. None generated the same value as continuing alone.

Allied's beer brands, brewing efficiency, and distribution network offered good profit growth potential and the brewing business generated strong, stable, positive cash flows – "a performance measure which will be given additional emphasis," the company said.

Compliance with government requirements to free 2,300 pubs from tied supplies was on target, he said. Some 660 had been sold and leases agreed for more than 400.

Lex, Page 18; Results, Page 28

Procordia rises 10% to SKr976m for quarter

By John Burton in Stockholm

PROCORDIA, the Swedish food and pharmaceutical group, yesterday reported that profits after financial items rose by 10 per cent on a pro forma basis to SKr976m ($158m) during the first quarter of 1991, while sales rose 9 per cent to SKr9.57bn.

The result, which was expected, reflected progress in restructuring the company, primarily in the health care sector. The former state holding company Procordia was merged last year with Provendor, the food division of Volvo, and Pharmacia, the pharmaceutical company controlled by the Swedish car maker.

Procordia said profits will exceed SKr3.5bn in 1991 against SKr2.08bn in 1990. The health care sector posted a 12 per cent increase in operating profit to SKr635m during the first quarter as sales climbed by 8 per cent to SKr3.54bn. This reflected a 22 per cent jump in operating profit for Kabi Pharmacia, Procordia's biggest subsidiary.

Operating profit fell, however, for the food group, Procordia's largest product sector, by 4 per cent to SKr356m, although sales rose by 12 per cent to SKr4.98bn.

M and S lifts profits 2% to £615m

By John Thornhill in London

STRONG growth in continental Europe helped offset recessionary markets in the UK and North America, enabling Marks and Spencer, the food and clothing retailer, to lift annual pre-tax profits 2 per cent to £615.5m ($1.06bn).

An exceptional charge of £16m relating to the costs of the UK company's recently-announced redundancy programme pegged taxable profits which would otherwise have advanced by 4.5 per cent. The figures were much in line with City expectations and the shares firmed 1p to 257p.

Mr Richard Greenbury, who last month succeeded Lord Rayner as chairman, gave a brusque and disarmingly open presentation of the company's prospects, but said he could not see an early end to the current recession in the UK.

"We think we are in for a longish, hardish, toughish time," he said.

In the year to March 31, group sales rose by 3 per cent to £5.77bn from £5.61bn, but operating profits were almost static at £633.5m against £627.7m. Profits were lifted at the pre-tax level by interest receipts of £13.3m compared with a payment of £8.8m the year before.

Sales in the UK and Eire tailed off sharply in the second half of the year but operating profits still rose to £603.1m from £597.6m.

Clothing sales rose by 2.2 per cent during the year with lingerie, underwear, hosiery and socks showing good gains. But tailored garments were badly hit as were sales of home furnishings and furniture. Food sales were 6.9 per cent ahead.

Turning to North American operations, Mr Greenbury admitted that M and S had probably paid too much for Brooks Brothers, the upmarket US clothing business it acquired in 1988. He told analysts and journalists alike: "You were right; we were wrong."

But he emphasised that M and S had invested heavily in Brooks Brothers and now only needed to improve its computer systems. "It is fundamentally a business that can be developed and driven . . . We will get it right in the same way we got Europe right," he vowed.

Mr Greenbury said the company would also have to "bite the bullet" over its lossmaking Canadian operations. "It is not right that we go on with that problem. We have to deal with it on behalf of our shareholders and employees," he said. But he did not spell out what action the board envisaged.

Brooks Brothers saw its profits halve in dollar terms to $11.1m from $22.2m. Trading profits at the group's US supermarket chain, Kings, also fell to $10.3m from $11.4m.

Losses in Canada amounted to C$7.7m (US$6.69m) compared with C$8.9m the year before.

In sharp contrast, M and S's continental European operations rose strongly with sales up 24 per cent and profits up 38 per cent to £20.4m.

Earnings per share, before exceptional items, rose from 14.5p to 15.1p. The board is recommending a total dividend of 6.7p (6.4p) which represent a 5 per cent increase on the year.

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Worms to simplify structure

By George Graham in Paris

THE Worms group, a French family-controlled conglomerate of financial, transport and industrial interests which range from the Wiggins Teape-Arjomari paper company to the Athena insurance group, is to undertake a complete overhaul of its structures with the aim of simplifying and clarifying its organisation.

The restructuring will result in virtually all Worms's stakes being owned directly by a single listed holding company. This company will change its name to Worms & Cie.

The Worms group's complex organisation disconcerted a number of British institutional investors at the time of the merger of Wiggins Teape Appleton, the UK paper group, with Arjomari, its French counterpart in which Worms owns a controlling stake via a number of intermediate holding companies.

In order to carry out the reorganisation, the Worms family partnership will transfer most of its direct investments to Simer, a company for which Worms has maintained an almost dormant stock exchange listing.

These investments include its controlling stake in Pechelbronn, the listed company through which it holds most of its industrial interests.

It will then merge Pechelbronn with Simer, on the basis of one Simer share for three Pechelbronn.

The resulting company will own 34 per cent of Saint Louis, 99 per cent of Athena, 45 per cent of Compagnie Nationale de Navigation, a shipping company, and 43 per cent of Arc Union, the Worms family's property arm. It will also have 66.6 per cent of a holding company which in turn controls 50 per cent of Demachy Worms, the group's investment bank.

The Worms family will end up with 41.7 per cent of the new company.

Volvo Car sees 'difficult year'

By Our Financial Staff

VOLVO CAR, the Dutch car maker in which Mitsubishi Motors of Japan is shortly to take a one-third stake, expects 1991 to be a tough year.

Mr Andre Deleye, president, said: "We know that 1991 will be a difficult year. We will be doing well if we have any positive result."

This month, Sweden's Volvo and the Dutch government agreed to accept Mitsubishi Motors as a joint shareholder in Volvo Car. The company is currently owned 70 per cent by Volvo and 30 per cent by the Dutch state.

Volvo Car made a net loss of Fl 75m ($38.8m) in 1990 compared with a net profit of Fl 55.1m a year earlier. It was hit by the recession in Europe when it was phasing in a new and more expensive model.

Sales dropped during the Gulf war, and in the first weeks of 1991 ran 25 per cent below earlier projections. After 12 weeks, the lag was 20 per cent and after 17 weeks 15 per cent, the company said.

Company officials stressed that talks on the new ownership structure were by no means complete, and declined to go into details on negotiations with Mitsubishi on production of a joint car.

Officials explained that Volvo Car wanted co-operation on more than one project and was also keen to secure common parts sourcing with Mitsubishi to reduce costs.

● Norwegian investor Mr Torstein Hagen said he would join other shareholders and try to block the 1990 accounts of Nedlloyd, the Dutch lossmaking shipping and transport group.

Mr Hagen controls around 23 per cent, but claims to speak for more than 50 per cent of the ordinary shareholders.

"The only action shareholders can currently take to express their dissatisfaction over the policies pursued and the attitude towards shareholders is to withhold approval of the annual accounts for 1990," Mr Hagen said.

ABB sticks to forecast after advance of $5m

By William Dullforce in Geneva

ASEA Brown Boveri, Europe's biggest electrical engineering group, yesterday reported a rise of $5m to $366m in pre-tax profits in the first quarter and said it was sticking to its forecast of at least maintained full-year earnings after financial items.

Economic slowdowns in many parts of the world was having a negative impact on demand for some products, ABB said. However, internal restructuring, particularly in North America, and improvements in productivity continued to reinforce earnings.

First-quarter turnover amounted to $6.34bn, up by 4 per cent from the first three months of 1990.

Incoming orders rose by 2 per cent to $7.74bn, good increases being reported by the power plant, power transmission, power distribution and industry segments.

Group operating profit at $390m was up by 17 per cent on that of the first quarter of 1990, despite an increase from $180m to $200m in depreciation charges.

Last year, ABB posted a 21 per cent rise to $1.1bn in pre-tax earnings on a turnover of $26.7bn.

L'Oréal agrees to German deal

By George Graham

L'OREAL, the leading French cosmetics group, has agreed to take over Dralle, the last independent German haircare products company.

Haarkosmetik und Parfumerien, L'Oréal's principal German subsidiary, will take over the capital of Dralle from the Breckwoldt and Dralle family shareholders.

Mr Franck Breckwoldt, chief executive of Dralle, had previously spoken of a stock market listing for the company, but German commentators suggested that pressure on earnings and the need for capital to invest in the hairdressing chain had prompted the family to sell out to L'Oréal.

Elf set to increase market share

By George Graham

ELF Aquitaine, the French state-controlled oil group, has received permission from the French government to acquire two domestic importers and retailers of petroleum products.

The approval of the purchase of Les Fils de Jules Bianco and of Compagnie Commerciale et Pétrolière de l'Ouest (CPO), is conditional on the sale of some bulk storage centres.

The decision of the French competition authorities follows 10 days after Elf received the go-ahead from the British Monopolies and Mergers Commission for the acquisition of Amoco's UK petrol station and refinery interests.

The acquisition of Bianco and CPO will strengthen Elf's position as leader in the distribution of refined petroleum products, lifting its market share to 25 per cent from 18 per cent.

Elf said that the acquisitions would allow it to go ahead with investments at its refineries at Donge and Feyzin by increasing its retail outlets near the plants.

While principally present in the wholesale market for products such as domestic fuel oil and diesel, Bianco and CPO also have retail petrol outlets.

Adia to replace chief executive

By William Dullforce

MR YVES PATERNOT is being replaced as chief executive of Adia, the big Swiss-based employment and services group, less than three months after control of the group passed into the hands of Mr Klaus Jacobs, the Swiss businessman, and Asko Deutsche Kaufhaus, the German retailing group.

His departure, announced yesterday, indicates that Mr Jacobs intends to run Adia under tight control. Mr Paternot is being replaced by Mr Nico Issenmann, who until the end of December was general manager of the Tobler subsidiary of the Jacobs Suchard chocolate and coffee group.

Mr Jacobs made a cash gain of SFr2bn ($1.39bn) when he sold his controlling interest in Jacobs Suchard to Philip Morris, the US foods and tobacco group, last year.

In March this year, in a 50-50 partnership, Mr Jacobs and Asko bought for SFr340m a 53 per cent stake in Adia from Mr Werner Rey's Omni Holding, just after Omni had applied for court protection against its creditors.

Mr Paternot steps down on June 12, when the board will be reconstituted at an extraordinary shareholders' meeting.

Last year, Adia recorded a 43 per cent fall in net profits to SFr115m.

INTL. COMPANIES AND FINANCE

Adsteam wins breathing space with debts freeze

By Kevin Brown in Sydney

THE TROUBLED Adsteam group, formerly run by Mr John Spalvins, gained a seven-month breathing space yesterday when its 100 banks agreed to freeze debts of more than A$6bn ($4.60bn) until the end of the year.

In addition, the National Australia Bank agreed to make a standby facility of A$100m available to cover the working capital requirements of Adelaide Steamship, David Jones and Tooth, the three main companies in the loosely-knit group.

The debt rescheduling will give Adsteam time to negotiate long-term refinancing, probably involving the sale or independent flotation of most of the group's assets.

However, it was not clear whether the agreement would be sufficient to persuade the Australian Stock Exchange to allow trading in the shares of the main group companies to restart.

David Jones Adelaide Steamship, and Tooth were suspended more than a week ago after the collapse of earlier negotiations between the companies and the banks on long-term restructuring proposals.

Adsteam said it expected a detailed reconstruction plan to be completed within three or four months by Bankers Trust Australia, the merchant bank, which has been appointed with the approval of the banks.

If Bankers Trust fails to come up with an acceptable scheme, most of the group's companies are likely to be put into liquidation when the moratorium expires on December 31.

Mr Neil Branford, Adelaide Steamship's secretary, said shareholders would be able to participate in the flotations of any of the group's companies which might be brought to the market.

This would include the flotation of Woolworth's, the successful supermarket business owned by Industrial Equity, a jointly-owned subsidiary of Adelaide Steamship, David Jones and Tooth.

Adsteam has already announced plans to raise just over A$400m by selling several food businesses owned by Industrial Equity to National Foods, a new company to be floated on the Australian market.

Mr Branford said shareholder value in Adelaide Steamship, David Jones and Tooth was "at best, low," and could fluctuate significantly because of the burden of debt.

However, he said sales or flotations of assets would be undertaken "in an orderly fashion, and not at fire sale prices".

Mr Branford said Mr Spalvins, who was fired as group managing director in March after revealing a consolidated interim net loss of A$1.2bn, will leave the company on June 5. However, Mr Branford and Mr Michael Kent, finance director, will remain with the group until the end of the debt moratorium.

Dutch merger backed by Internatio investors

By Ronald van de Krol in Amsterdam

SHAREHOLDERS representing 21 per cent of the share capital of Internatio-Müller, the diversified, Rotterdam-based transport and trading group, have come out in support of a plan by First Pacific of Hong Kong to merge Internatio and Hagemeyer, the Dutch trading company.

First Pacific, which owns 69 per cent of Hagemeyer, disclosed last week that it had built up a stake of 43.2 per cent in Internatio and that it wanted to merge the two Dutch-based companies.

Van Doorn Trust, a trust company in Amsterdam which says that it holds 15.1 per cent of Internatio's share capital for unnamed institutional investors, said yesterday that it backed the merger proposal.

Mr Andrew Land, the chairman of Hagemeyer, said that he had received support in writing from shareholders representing a further 6 per cent of Internatio's ordinary share capital.

Last week, Internatio said it saw no benefits in a merger, but it agreed to commission a study by ABN Amro Bank.

The company also immediately issued 5.59m preference shares to protect it against any unfriendly takeover attempt. Because of the anti-takeover protection available to companies in the Netherlands, Internatio cannot easily be forced into a merger against its will even if a majority of shareholders say they are in favour.

But the fact that nearly 65 per cent of shareholders support the merger will put Internatio under pressure to agree if ABN Amro's study proves positive. The study is expected to be completed in several weeks. First Pacific and Hagemeyer have said that their intentions are friendly and that they will not pursue the merger if Internatio's board remains opposed.

Citizen Watch climbs 40% as sales surge in main markets

By Emiko Terazono in Tokyo

CITIZEN WATCH, Japan's leading watchmaker, posted a 40.2 per cent rise in pre-tax profits to Y21.2bn ($152.51m) due to strong sales in all of its main operations.

The company, announcing non-consolidated results for the year toMarch 1991, said brisk consumer spending continued to support sales, which grew 26.9 per cent to Y247.8bn. After-tax profits rose 40.9 per cent to Y11bn.

For the current year, Citizen expects a moderate 2.9 per cent increase in sales to Y255bn, and a 2.3 per cent rise in pre-tax profits to Y21.7bn.

Sales of wristwatches, which account for half of revenue, rose 25.4 per cent to Y118.1bn, while strong demand for automatic lathes increased sales of industrial machinery, which advanced by 20 per cent to Y31.7bn.

Sales of the information equipment and parts division rose to Y55.6bn, up 55.8 per cent, with the 3.5-inch floppy disk drives soaring 103.9 per cent to Y17.8, and notebook-sized personal computers rising 43.6 per cent to Y14bn.

Citizen's electronic equipment and parts operations' sales increased 42.2 per cent to Y29bn, on the back of strong demand for its liquid crystal displays and other display units.

Metra's plunge into red blamed on recession

By Enrique Tessieri in Helsinki

METRA, the Finnish diesel engine, sanitary equipments and building materials group, yesterday reported a decline into loss for the year ended February 1991.

The company, which was formed by the merger of Lohja, a building materials group, and Wartsila, the diesel and shipbuilding company, suffered an after-tax loss of FM25m ($660,000) compared with a profit of FM315m.

Group sales rose by 10 per cent to FM8.87bn. At the pre-tax mark, profits fell to FM124m from FM340m in the previous year.

Metra blamed the drop in profits on the Finnish recession, which had affected the construction business in general and the performance of its building materials division in particular.

The board plans a dividend of FM2.80 a share. It will also seek authorisation to increase Metra's capital by FM60m convertible and warrant bond issues.

Group operating margin fell to FM469m from FM596m, or from 15 per cent of net sales to 10 per cent. Capital spending during the year totalled FM788m against FM2.01bn.

Tomei agrees to take stakes in two HK units

TOMEI Industrial (Holdings) of Hong Kong has agreed to acquire significant minority stakes in two privately held local electronics-related companies for HK$68m, (US$8.73m), AP-DJ reports.

The rapidly-growing electronics maker said it had agreed to buy 22 per cent of Yanion, a manufacturer of metal moulds and cassette-deck mechanisms. Yanion recorded sales of HK$200m last year and expects to earn at least HK$37m this year.

Tomei also agreed to buy 15 per cent of S. Megga Telecommunication, a producer of cordless telephones, which expects to earn HK$34m on HK$600m sales in the year to June 30 1991.

The purchases, the prices of which were not disclosed, are part of Tomei's strategy of injecting venture capital into companies it does business with and then floating them on the stock exchange.

Schindler expects 10% decline

SCHINDLER, the Swiss elevator group, expects profit to decline by around 10 per cent this year, AP-DJ reports.

The company said the market in the first few months of this year had contracted, especially in the US and in the UK, although other countries, such as Germany and Switzerland, were seeing acceptable levels of business.

Poor order volumes and squeezed margins have not left the company pessimistic, however.

"We're going through the recession prepared and slenderised," it said.

In 1990, group net profit was SFr133.6m, ($92.70 at current rates) up 20 per cent from 1989, and parent net profit was 8.4 per cent higher at SFr52.4m.

Aztec Mining plans A$39m rights issue

AZTEC Mining of Australia is planning a two-for-nine rights issue to raise about A$39m ($30.40m) for mine development, Reuter reports.

The company, 37.2 per cent owned by Amax, said the issue was pitched at 61 cents a share against the current price of 62 cents which is down 7 cents on Monday's
close.

It added that Amax had confirmed it would be taking up its 37.2 per cent entitlement to the issue in full.

The balance is being underwritten by J.B. Were and Son.

The issue will help fund a A$66.9m expansion at the Woodcutters zinc mine in the Northern Territory, wholly-owned by Aztec's 78.6 per cent subsidiary, Nicron Resources.

INTERNATIONAL COMPANIES AND FINANCE

Two US insurers file for protection from creditors

By Nikki Tait in New York

PARENT companies of two seriously-troubled US insurance groups filed for court protection from creditors under bankruptcy law yesterday.

First Executive Corporation, which takes in the Executive Life unit in California and the smaller Executive Life of New York business, said it had filed for protection from its creditors under Chapter 11 of the US bankruptcy code in the Los Angeles courts.

Its two main operating arms have already been seized by the relevant state regulatory authorities, making First Executive the largest insurance company failure which the US has ever seen.

In a separate move, Citibank and other senior lenders to First Capital Holdings, parent company of San Diego-based First Capital Life Insurance, filed an involuntary bankruptcy petition, also to place FCH in Chapter 11.

This gave rise to speculation that the Californian state insurance regulators would soon announce they had taken FCLI into conservatorship. Under conservatorship, state officials take direct charge of the operations of the company and the claims of outside creditors are subject to regulatory and court decisions.

Last Friday, they issued a "cease and desist" order against the insurer, barring it from making payments to its parent, and from writing new business. The order also placed a moratorium on surrenders by FCLI policyholders and on life insurance policy loans.

Neither Citibank nor First Capital were immediately available to comment on the move. A 28 per cent stake in FCH is held by Shearson Lehman, and the US investment bank announced on Friday it would take a $144m write-off before tax during the current quarter in respect of this holding.

First Capital is substantially smaller than First Executive. The former's assets are around $4.5bn and it has some 190,000 policyholders.

Executive Life has around $10.1bn in assets, while Executive Life of New York held a further $3.2bn at end-1990. Problems at both companies, however, have resulted partly from heavy exposure to junk bonds.

Both débâcles have occurred at a sensitive time for the US insurance industry. There has been much concern about the health of life insurers' portfolios.

This, coupled, with fears there may be separate problems endemic to the property-casualty sector, has provoked political pressure to reform the state-based insurance regulatory structure and introduce federal supervision.

Retailers' fall shows consumer weakness

By Karen Zagor in New York

THE CONTINUED weakness in consumer spending was reflected in the decline in first-quarter earnings at J.C. Penney, The Limited and Tiffany.

Net income at J.C. Penney, the fourth biggest US retailer, dropped 48.1 per cent in the first three months of 1991 to $80m, or 61 cents a share on a fully-diluted basis, from $154m, or $1.15, a year earlier. The decline was roughly in line with expectations.

Retail sales in the 13 weeks ended April 27 slid 2.7 per cent to $3.43bn.

Penney, which started repositioning itself in 1987, has been hit by widespread price-cutting by competitors and by its failure to establish itself as a fashion retailer.

During the quarter, selling, general and administrative costs rose 1.1 per cent to $1.16bn.

The increase was attributed to bad debt expenses and depreciations costs linked to store modernisation and fixturing programmes.

At The Limited, the speciality retailer, net income dropped 18 per cent to $50.9m, or 14 cents a share, from $62.3m, or 17 cents, a year ago, although sales improved 16 per cent to $1.26bn from $1.11bn.

Mr Leslie Wexner, chairman, attributed the decline in earnings to the cost of repositioning the company's Limited Stores division.

The company, which in 1989 generated profits growth of 41 per cent, has been disappointed by the recent performance at its largest division, Limited Stores, where operating profits dropped 24 per cent in 1990 to about $163m.

The group said it had streamlined and restructured its merchandising organisation and reduced inventory levels by nearly 30 per cent on a square foot basis.

Mr Wexner said that in January the company made several key decisions which included the appointment of Mr Howard Gross as president, the move from multiple brands to one brand, and cancellation of merchandise on order that did not fit into the business.

At Tiffany, the up-market US jewellery retailer, net earnings dropped to $4.6m, or 29 cents a share, from $5.4m, or 35 cents, a year ago. Sales increased 4 per cent to $97m.

Mr William Chaney, chairman, said the results reflect consumer caution and a drop in international tourism linked to the Gulf war.

Manpower moves back to Wisconsin

By Nikki Tait

MANPOWER, the world's largest temporary employment business, yesterday formally re-established its base in Wisconsin.

The move has been a year in preparation, and was effected when a newly-formed US corporation, Manpower Inc, made a share exchange offer for Manpower Plc, the British-based parent company.

That offer reached its first closing date on Monday, when acceptances in respect of 93.9 per cent of Manpower's shares were received.

All conditions to the offer have been satisfied and Manpower Inc becomes the parent company. However, the offer remains open until further notice, and shares tendered during this subsequent period will be exchanged as they received.

This novel change of domicile concludes a troubled chapter in Manpower's history. It began when Blue Arrow, the British company, made an ambitious $1.34bn bid for Manpower in 1987.

However, Mr Mitchell Fromstein, Manpower's former chairman, subsequently replaced Mr Tony Berry, Blue Arrow's chief executive, as head of the merged group. Day-to-day control moved back to Wisconsin.

Businessland reports big losses in quarter

By Louise Kehoe in San Francisco

BUSINESSLAND, one of the largest US computer retailers, yesterday reported heavy losses for its third quarter and said it was considering several options, including bankruptcy protection.

Its problems reflect turmoil in the personal computer retail industry as manufacturers slash prices and warehouses selling at discounts make inroads into the market.

The company's difficulties also stem from its rapid expansion and the 1989 purchase of the CompuCraft retail chain, together with problems in its UK subsidiary, analysts said.

It suffered net losses in the third quarter of $43m, including a $17.7m restructuring charge and a $6m charge for pending settlement of shareholder lawsuits. Revenues were $269.7m, down 17 per cent. It reported losses of $3.6m in the same period last year.

Businessland said it could not comply with provisions on a $50m loan as well as its agreements with IBM Credit and ITT Financial for computer purchase. The company said it was considering restructuring, a sale of the company, or filing for Chapter 11 bankruptcy protection.

Telmex privatisation price values deal at $2.043bn

By Damian Fraser in Mexico City

THE privatisation of Telmex, Mexico's telephone monopoly, has drawn to a close with the government announcing it would sell 1,500m non-voting L shares for $1.36 each, valuing the deal at $2.043bn.

The offering, equivalent to 14.1 per cent of the equity, is expected to be taken up within one week.

There will also be an over-allotment provision – if demand is sufficient, a further 225m shares will be sold to the Telmex underwriters, worth $306m.

In addition, Telmex employees agreed to buy 150m L shares at the offer price.

If the over-allotment provision is used, the Mexican government will raise $2.55bn from the global share offering, equal to over 1 per cent of the country's GDP.

In December, the government sold a controlling 20.4 per cent in Telmex to Grupo Carso, a consortium headed by Mr Carlos Slim, the Mexican businessman, and including France Telecom and Southwestern Bell.

The group paid $1.76bn for the stake, or $2.04 for each A share purchased. Monday's offering would value A shares at $3.40.

The government will sell 120m of the L shares in the Mexican market, 780m in the US, and the remaining 600m in the rest of the world.

TLC Beatrice makes $865,000

TLC Beatrice, the international food group subjected to a leveraged buyout from the former Beatrice companies in 1987, yesterday reported net profits before preferred stock dividends of $865,000 in the first quarter of 1991, compared with $133,000 in the same period last year, writes Nikki Tait in New York.

Sales rose to $379.8m from $310.4m. After the payment of preferred stock dividends, there was a net loss per share of 54 cents, against 23 cents deficit last time.

CAE Industries' Link subsidiary back in profit

By Robert Gibbens in Montreal

CAE INDUSTRIES, the world's leading flight simulator builder, has finally brought its US Link subsidiary back to profitability.

For the year ended March 31, CAE lifted overall net profit of C$24.2m (US$20m), or 25 cents a share, up from C$2.7m, or 3 cents, in fiscal 1990.

The gain was mainly due to a C$12m swing in operating earnings at Link. Fiscal 1990 included a C$17.5m special charge for Link.

CAE's overall revenues slipped 2 per cent to C$1.1bn in the latest year.

It bought Link, the military simulator and training operation in the US, from Singer in 1988 for C$665m. But Link suffered from contract costs overrun that led to substantial writedowns and an asset re-evaluation. A broad restructuring has cut the workforce by 40 per cent to 5,000.

Mr David Race, president, said Link was still not showing satisfactory results, but overall CAE should post further improvement in fiscal 1992. The commercial simulator manufacturing operation in Montreal had record sales and earnings last year and the German subsidiary also did well.

INTERNATIONAL CAPITAL MARKETS

Treasuries decline sharply as dealers unload paper

By Patrick Harverson in New York and Sara Webb in London

US BOND prices dropped sharply yesterday morning as dealers continued to unload the large amounts of paper left in their hands by the recent Treasury auction.

By midday, the benchmark 30-year government bond was down a full point at 97⅛, to yield 8.348 per cent. At the short end of the market, the two-year note was also weaker, down ⅛ at 100¼, yielding 6.842 per cent.

The dominant feature remained the efforts of dealers to redistribute the $37bn of government refunding securities sold last week. With large amounts of bonds still searching for a home, prices are likely to remain depressed, claim analysts.

Some economic statistics hinting at a modest economic recovery only added to the gloom. April retail sales were reported to have fallen 0.1 per cent, as expected. However, once again it was a revision of previous estimates that made an impact. Having originally calculated that March retail sales fell by 0.8 per cent, the Commerce Department reported that sales rose by 0.4 per cent in the month.

Although the day's inflation data – showing a 0.2 per cent rise in consumer prices – was broadly positive, the big revision in March retail sales knocked market sentiment and triggered a hurried round of early morning selling.

GOVERNMENT BONDS

■ GERMAN government bonds fell yesterday morning, as rumours that the Bundesbank president, Mr Karl Otto Pöhl, was about to resign again dominated the market.

The sharp drop in the US Treasury bond market prompted a further fall in bund prices in the afternoon, led by the heavy selling of futures contracts.

The financial markets appeared to give more credence to rumours this week that Mr Pöhl will resign. The Bundesbank said Mr Pöhl regretted the media reports, but did not comment further. Mr Pöhl is due to make a statement tomorrow.

The fall in the US Treasury bond market yesterday prompted heavy selling of bund futures. The Liffe bund futures contract, which had opened at 85.33, fell to 84.82 by late afternoon. Traders said that breaking through the significant support level of 85 triggered further selling of futures.

■ UK government bond prices fell sharply due to a combination of domestic political jitters and the slide in the US Treasury bond market.

An opinion poll indicating that the Conservative party faces defeat in tomorrow's Monmouth by-election unsettled the market, sowing fears that the government may not be so prompt in cutting base rates if it is forced to delay a general election.

Short-dated gilts fell by less than longer-dated government bonds. The benchmark 11¾ gilt due 2003/07 fell from Monday's close of 109⅜ to 108⅜.

■ JAPANESE government bond prices edged up as a fall in short-term money market rates for the second consecutive day raised hopes that the Bank of Japan would cut the official discount rate soon.

The overnight call rate fell below 8 per cent, from 8⅛ per cent on Monday to 7⅞ per cent yesterday. However, some traders warned the fall in the overnight call rate should not necessarily be taken as a sign that the Bank of Japan is easing monetary policy. It could simply reflect technical factors as the central bank's reserve maintenance period closes today.

The yield on the No 129 benchmark JGB opened at 6.63 per cent, moving to 6.60 per cent before returning to its earlier levels after Bank of Japan governor Mieno emphasised the central bank's determination to fight inflation.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	08/92	103-21	-03/32	10.49	10.45	10.58
		9.000	03/00	92-20	-19/32	10.29	10.08	10.04
		9.000	10/08	91-08	-22/32	10.07	9.87	9.82
US TREASURY *		8.000	05/01	99-30	-20/32	8.16	8.03	8.02
		8.125	05/21	97-14	-32/32	8.36	8.21	8.21
JAPAN	No 119	4.800	6/99	88.3249	+0.003	7.07	7.09	7.11
	No 129	6.400	03/00	98.6817	-0.027	6.64	6.68	6.72
GERMANY		9.000	01/01	103.2400	-0.410	8.48	8.36	8.27
FRANCE	BTAN	9.000	02/96	99.9778	-0.226	8.98	8.93	9.04
	OAT	9.500	01/01	103.7900	-0.500	8.88	8.81	8.85
CANADA *		9.750	06/01	106.4000	-0.400	9.89	9.54	9.46
NETHERLANDS		8.500	03/01	98.7500	-0.360	8.89	8.61	8.49
AUSTRALIA		13.000	07/00	111.6397	-0.002	10.95	10.92	11.09
BELGIUM		10.000	08/00	105.0000	-0.200	9.16	8.90	8.91

London closing, *New York morning session
Yields: Local market standard Prices: US, UK in 32nds, others in decimal
Technical Data/ATLAS Price Sources

Seeking EC consensus on financial services

By Richard Waters in London

SIR LEON Brittan is attempting to reconcile the irreconcilable. The EC competition commissioner, whose brief includes financial services, has only three weeks to find common ground on the most thorny issue in the way of a common market for financial services: the proposed Investment Services Directive.

Sir Leon is midway through a series of "confessionals" – meetings with ministers, supplemented by telephone negotiations, aimed at gaining support for a compromise solution.

Time is short. Sir Leon says that, with agreement in principle this summer, it will still be possible to adopt a directive by the end of the year and to have the rules in national law by the January 1 1993 deadline. However, some member-states disagree, arguing it will take at least 18 months from the date of adoption to put the ISD in the statute books.

Disagreement on three questions stands between Sir Leon and his goal. Should all securities trading be concentrated in member-states on a centralised, regulated market? Should there be strict transparency rules governing the publication of all securities trades? And should member-states be allowed to forbid banks access to their stock markets?

Some Mediterranean countries, including France, Spain and Italy, say "yes" to the first two questions and, in some cases, to the third as well.

Others, notably the UK, Germany and the Netherlands, say no, though for different reasons. The UK says no because it wants to protect its leadership in international equity dealing. Germany is against them because it wants its universal banks to be able to expand unfettered.

Sir Leon's compromise is founded on two principles. The first is that markets should be opened to competition, not allowed to remain closed. Brussels, therefore, wants banks to be allowed access, and says off-market trading should be allowed provided investors give their approval. The second is that different trading cultures should be allowed to persist, and should not be dictated to from the centre.

These two ideals are not always compatible. The French, for instance, suggest that London's trade publication rules discriminate against foreign securities dealers. The UK says the rules are a necessary part of London's market-making system.

Sir Leon says his compromise is winning support – but only, it seems, up to a point.

As with all compromises, the success of this one will depend on how much the various camps feel the need to reach agreement. Seen this way, there are three possible arguments for the ISD.

The first is that, without it, non-bank investment firms will suffer in competition with banks. Banks are already assured a "single passport" to operate across the community by the second banking directive, something that would be mirrored for non-banks in the ISD. If this were so, then non-bank investment firms would be clamouring for the ISD. They are not. The UK, which has a bigger share of non-banks than most other states, seems quite happy to see the ISD die rather than risk damage to its markets.

When, and if, the current recession in the securities business ends, it may be that a new wave of investment firms with ambitions to sweep across continental Europe will feel the need for an ISD.

The second argument for the directive is that it will prevent member-states erecting barriers to foreign competitors. Investment firms point to the Italian SIMs law, introduced this year, as the sort of legislation the ISD would outlaw. Under the SIMs law, any investment firm doing business with an Italian client will have to be incorporated in Italy from next January.

The third argument for the ISD is that it would give banks access to stock exchanges that have so far kept them out. Again, though, this may prove contrary to the spirit of Rome. Also, several of the continental European countries that bar banks have already said they will eventually remove their restrictions.

This is not to say that no one wants an Investment Services Directive. However, it raises the question of whether member-states want it sufficiently to compromise on Sir Leon's terms.

Sir Leon may have to try to forge an agreement as early as June 3, when EC economic and finance ministers next meet. However, given that tax tops the agenda the subject may not come up until July. After so many delays, few member-states will shed a tear at the thought of keeping it on the back burner for a little longer.

SA bonds leap on Mandela sentencing

SOUTH African long-term bond rates jumped after Mrs Winnie Mandela, wife of African National Congress leader Mr Nelson Mandela, was sentenced to six years in jail for kidnapping and accessory to assault, reports AP-DJ.

The market's benchmark Eskom 168 11 per cent bond moved up to 15.75 per cent immediately following the sentencing, from 15.68 per cent prior to the announcement.

The capital market closed at 15.67 per cent on Monday before Mrs Mandela's conviction was announced. But dealers said it was the sentencing, not the conviction, that moved the market.

"Rates didn't move until after the sentencing because everyone had the perception that she would be given a light sentence or fine because of fears that there would be revenge killings of whites," one dealer said.

Dealers said rates would probably continue to increase. "They are now at a resistence level of 15.77 per cent.

"If they break that, they could go up to 16 per cent," one dealer said. They said the capital market was the only market that reacted to the sentencing of Winnie Mandela.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:05 pm on May 14

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101⅜	102⅛	+⅛	7.71
ALBERTA PROVINCE 9 3/8 95	600	103⅝	104	-⅛	8.34
AUSTRIA 8 1/2 00	400	98⅜	99⅛	-⅛	8.70
BANK OF TOKYO 8 3/8 96	100	99	99½		8.62
BELGIUM 9 1/8 92	400	101⅝	102⅛	-⅛	7.64
BFCE 7 3/4 97	150	98	98⅜		8.19
BNP 8 5/8 94	300	102	102⅜	+⅛	7.88
BP CAPITAL 9 5/8 93	150	102⅞	104⅜	-⅛	7.84
CANADA 9 96	1000	103⅝	103⅞	-⅛	8.04
CARCO 9 1/4 96	650	98⅜	99	-1⅛	9.64
CCCE 9 1/4 95	300	104	104⅜	+⅛	7.97
COUNCIL EUROPE 8 96	100	98⅝	99	-⅛	8.32
CREDIT FONCIER 9 1/2 99	300	104⅜	104⅞	-⅛	8.69
DENMARK 0 98	250	55⅛	55⅝	+⅛	8.59
DENMARK 8 1/4 94	150	101	101⅜		7.87
ECSC 8 1/4 96	193	100	100⅜	-⅛	8.23
EEC 7 1/4 93	250	99⅞	100⅛		7.30
EIB 7 3/4 96	250	98⅛	98⅝	-⅛	8.17
EIB 9 1/4 97	1000	103⅝	103⅞	-⅛	8.59
ELEC DE FRANCE 9 98	200	102⅛	102⅞		8.49
EUROFIMA 9 1/4 96	100	102½	103	-⅛	8.58
EXPORT DEV CORP 9 1/2 98	150	104⅛	104⅞	-⅛	8.62
FINLAND 7 7/8 97	200	96⅝	97⅛		8.63
FINNISH EXPORT 9 3/8 95	200	103⅝	104	-⅛	8.34
FORD MOTOR CREDIT 9 1/2 95	300	102⅝	103⅛	-⅛	8.25
GEN ELEC CAPITAL 9 3/8 96	300	104	104⅜	+⅛	8.37
GMAC 9 1/8 96	200	101⅜	101⅞	+⅛	8.75
HALIFAX 9 1/2 93	200	103	103⅛	-⅛	7.88
IBM WORLD TRADE 7 5/8 93	150	99½	100⅛	+⅛	7.82
IND BK JAPAN FIN 7 7/8 97	200	96⅝	97		8.62
INTER AMER DEV 7 5/8 96	200	97	97⅜		8.33
ITALY 8 1/2 94	1500	101⅜	102	-⅛	7.87
JAPAN DEV BK 8 94	150	100⅝	101⅛		7.71
KANSAI ELEC PWR 10 96	350	104½	105⅛	-⅛	8.81
LTCB 8 5/8 93	150	101⅜	101⅞		7.76
NEW ZEALAND 8 93	100	100½	101⅛	+⅛	7.72
NIPPON CRED BK 9 3/4 95	150	103⅜	103⅞	-⅛	8.11
NIPPON TEL & TEL 9 3/8 95	200	104	104⅜		8.09
NORDIC INV BANK 9 93	200	102⅜	103⅛	-⅛	7.54
ONTARIO HYDRO 11 5/8 94	200	108⅛	108⅞	-⅛	8.15
OSTER KONTROLLBANK 8 1/8 93	200	101⅛	101⅝		7.35
PETRO-CANADA 7 1/4 96	200	95⅜	96⅛	+⅛	8.29
PRUDENTIAL RLTY SECS 0 99	365.216	50⅝	51⅛		9.28
QUEBEC HYDRO 9 3/4 98	150	103⅞	104⅛	+⅛	9.01
QUEBEC PROV 9 98	200	100⅛	100⅝	-⅛	8.97
SAINSBURY 9 1/8 96	150	102⅛	102⅝	+⅛	8.56
SAS 10 99	200	99⅞	100⅜	+⅛	10.03
SBAB 9 1/2 95	500	104½	104⅞		8.22
STATE BK STH AUST 9 1/4 93	100	102	102⅜	-⅛	7.93
SUMITOMO BK CAP MKT 9 3/8 93	150	102⅛	103⅛		8.09
SWEDEN 8 1/8 94	150	101	101½	+⅛	7.74
SWEDISH EXPORT 9 5/8 93	100	103⅜	103⅞		7.50
TOKYO METROPOLIS 8 1/4 96	200	99⅞	100	-⅛	8.35
WORLD BANK 8 3/8 99	1500	99½	99⅞	-⅛	8.64
WORLD BANK 8 3/4 97	1500	102⅝	102⅞	-⅛	8.39
XEROX CORPN 8 3/8 96	100	95⅛	96½	+⅛	9.56

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
DEUTSCHE BK FIN 5 5/8 96	750	88⅛	88⅜	+⅛	8.56
DEUTSCHE FINANCE 7 1/2 95	1000	97⅛	97⅜	-⅛	8.38
EEC 5 3/8 93	300	94½	94⅞	+⅛	9.10
EIB 5 3/4 98	400	86⅛	86⅜	+⅛	8.49
EIB 6 7/8 95	300	93⅜	93⅞	+⅛	8.69
EUROFIMA 6 1/4 98	400	87	87	-⅛	8.76
FERRO DEL STAT 5 3/8 93	500	94½	94⅞		9.04
IND BK JAPAN FIN 5 5/8 96	200	87½	87⅞		8.85
IND DEV BK INDIA 6 3/8 94	200	88⅜	88⅞	+⅛	10.24
INTER AMER DEV 7 1/4 99	300	92⅝	92⅞		8.54
LUFTHANSA INT FIN 5 7/8 98	500	85⅛	85⅝		8.72
MET EST & PROP INTL 7 99	150	85⅛	85⅝	+⅛	9.63
NAT BK HUNGARY 8 96	200	89⅞	90⅛		10.90
QUEBEC HYDRO 6 3/4 99	300	88⅛	88⅞	+1½	8.76
SWEDEN 6 7/8 98	300	87⅜	87⅞	+⅛	8.53
VENEZUELA 8 1/4 93	100	94⅜	95		10.70
WORLD BANK 0 15	2000	16⅛	16⅜	-⅛	7.67
WORLD BANK 5 3/4 96	300	87⅛	87⅜	-1⅛	9.15
WORLD BANK 7 1/8 95	500	94½	94⅞	-1	8.93

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	93			6.65
AUSTRIA 4 5/8 98	100	90½	91½	+½	6.40
CHUJITSUYA 7 3/4 95	50	102⅛	103½		7.11
COUNCIL EUROPE 4 3/4 98	250	89⅛	89½		6.78
EEC 5 1/2 00	100	91½	92½		6.73
EIB 5 3/4 93	100	97½	98⅛		6.87
ELEC DE FRANCE 7 1/4 06	100	104½	105½		6.75
FINLAND 5 3/8 95	150	95⅛	96⅛		6.49
GENERAL MOTORS 7 1/2 95	100	102½	103½		6.74
JAPAN DEV BK 5 1/2 94	100	97	98	+½	6.72
NEW ZEALAND 4 7/8 99	200	88⅛	89	+⅛	6.88
QUEBEC HYDRO 5 08	100	82			6.83
SKANDINAVISKA ENSK 6 1/2 95	100	98½	99½		6.96
WORLD BANK 5 03	150	86	86½		6.71
WORLD BANK 7 1/4 92	100	100½	101½	+⅛	6.76

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	94⅛	94⅝		7.12
CANADA 4 3/8 92	80000	96⅛	97		7.51
CREDIT FONCIER 5 1/4 94	28000	93⅞	94⅛	+⅛	7.23
DENMARK 7 95	40000	100	100⅛		6.98
EIB 4 5/8 94	40000	93½	93⅞		7.12
INTER AMER DEV 7 1/4 00	30000	102⅛	102⅝		6.89
ITALY 5 3/4 92	150000	98⅞	99⅛		7.27
KANSAI ELEC PWR 4 5/8 94	60000	93	93⅛	-⅛	7.34
NIPPON TEL & TEL 5 7/8 96	50000	95⅜	96⅛		6.81
NORWAY 5 1/8 95	50000	93⅞	94⅛		6.97
SWEDEN 5 5/8 95	20000	94⅛	95⅛		7.05
WORLD BANK 6 3/4 00	50000	99⅞	100⅛		6.76

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	93⅛	94⅛		9.54
KREDIETCORP 7 93 LFr	1000	94⅛	95⅛		9.70
WORLD BANK 8 96 LFr	1000	95⅝	96⅝		9.14
AMRO BANK 6 1/4 92 Fl	150	96	96⅜		9.75
RABOBANK 5 3/4 93 Fl	150	94½	95⅛		9.18
ALBERTA PROVINCE 10 92 C$	500	100⅛	100½	-⅛	9.82
BCE INC 9 5/8 93 C$	300	99⅛	99⅜		10.13
BELL CANADA 10 5/8 99 C$	150	99⅜	100⅛	-⅛	10.66
BRITISH COLUMBIA 9 1/4 95 C$	150	99	99½		9.84
EIB 10 1/8 98 C$	130	99⅞	100⅜		10.14
FORD CREDIT CANADA 10 94 C$	100	98⅝	98⅞		10.38
GENERAL ELECT CAP 10 1/4 93 C$	175	100⅞	101⅜		9.83
MONTREAL TRUSTCO 8 1/2 92 C$	100	97⅜	98⅛	-⅛	11.04
ONTARIO HYDRO 10 7/8 99 C$	500	101½	102	-⅛	10.55
QUEBEC PROV 10 1/2 98 C$	200	99⅛	99⅝	-⅛	10.65
ROYAL TRUSTCO 10 1/4 95 C$	100	99⅛	99⅝		10.74
SWEDEN 9 3/4 93 C$	250	100⅛	100⅜	-⅛	9.53
BELGIUM 9 1/8 96 Ecu	1250	100⅛	100⅝		8.98
CNT 7 3/8 93 Ecu	250	95⅛	96⅛	-⅛	10.02
CREDIT LYONNAIS 9 96 Ecu	125	96⅛	97⅜	-1½	10.02
DENMARK 7 3/8 96 Ecu	250	90⅞	91⅛	-⅛	10.09
EEC 7 5/8 94 Ecu	200	96½	97	+⅛	9.08
EIB 10 97 Ecu	1125	104⅞	105	-⅛	8.86
ITALY 10 3/4 00 Ecu	1000	109⅛	109⅝	-⅛	9.10
UNITED KINGDOM 9 1/8 01 Ecu	2750	101½	101⅞	-⅛	8.94
BMW FINANCE 14 1/2 92 A$	100	101⅞	102⅜	-⅛	12.35
COUNCIL EUROPE 13 93 A$	50	101	102		12.27
EKSPORTFINANS 12 3/8 95 A$	75	102⅜	102⅞		11.60
FORD CRED AUST 13 93 A$	50	100	101	-⅛	12.93
ICI 15 1/2 92 A$	100	103⅛	104	-⅛	12.10
MCDONALDS CANADA 15 95 A$	100	108⅛	109⅛		12.15
NAT AUSTRALIA BANK 14 3/4 94 A$	150	106	106½		11.99
STATE BK NSW 14 1/4 99 A$	100	111⅛	111⅝	+⅛	12.01
VOLKSWAGEN INTL 15 94 A$	100	106⅛	107⅛	+⅛	12.11
ABBEY NATL TREAS 13 3/8 95 £	100	105⅛	106⅛	-⅛	11.38
BARCLAYS JERSEY 9 1/2 93 £	250	97⅛	97⅝	-⅛	11.16
BRITISH GAS 12 3/4 95 £	300	105⅛	105½		10.97
DEUTSCHE BK FIN 11 94 £	225	100⅛	100⅝	-⅛	10.83
EIB 10 97 £	386.5	96⅝	97		10.80
FORD CREDIT FUNDING 9 3/8 93 £	50	96⅛	96⅝	+⅛	11.98
INTER AMER DEV 11 3/8 95 £	75	101⅛	102⅛	-⅛	10.81
ITALY 10 1/2 14 £	400	92½	92⅝	-⅛	11.43
LAND SECS 9 1/2 07 £	200	80⅝	80⅞	-⅛	12.35
LEEDS PERMANENT 9 1/4 93 £	50	96	96½		11.55
NORWAY 10 1/2 94 £	200	99⅛	99½		10.78
ROLLS-ROYCE 9 5/8 93 £	150	96⅛	96⅝		11.68
SAINSBURY 10 7/8 93 £	100	99⅛	99⅝		11.31
SKANDINAVISKA ENSK 13 1/8 95 £	100	104⅞	105⅜	+⅛	11.47
WORLD BANK 11 1/4 95 £	100	101⅛	101⅝	-⅛	10.85
ABBEY NATIONAL 0 96 NZ$	100	54⅞	56⅛	+⅛	11.78
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	103⅜	104⅜	+⅛	11.33
AIDC 7 7/8 93 FFr	600	96⅞	97⅜	-⅛	9.36
CREDIT LYONNAIS 10 95 FFr	3200	102	102⅝	-⅛	9.38
EURATOM 7 5/8 98 FFr	500	92⅛	92⅝	-⅛	9.15

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	100.04	100.14	7.5938
ALLIANCE & LEICS 0.08 94 £	300	99.57	99.65	11.9560
BANCO ROMA 0.03 01	200	93.53	95.00	7.9363
BANCO SANTO SPIRITO 93	200	99.72	99.85	6.5000
BELGIUM 1/16 97 DM	500	99.95	100.08	9.1250
BFCE -0.02 96	350	100.07	100.17	7.7925
BNP 05	300	96.50	97.43	6.1250
BRITANNIA 1/10 96 £	150	99.23	99.35	11.9750
CCCE 06 ECU	200	99.91	99.99	9.4435
CITIZENS FED 0.15 96	100	99.25	99.75	7.0250
COMMERZBK O/S FIN 99	200	99.96	100.06	6.5625
DENMARK -1/8 96	1000	99.72	99.83	6.5938
DRESDNER FINANCE 1/32 98 DM	1000	99.72	99.82	9.2656
ELEC DE FRANCE 1/8 99	400	100.19	100.59	7.0000
FERRO DEL STAT 94	200	100.66	100.88	6.8750
HALIFAX 1/10 94 £	200	99.80	99.89	11.7250
HILL SAMUEL 1/4 PERP	75	82.01	85.00	8.5000
MITSUI FIN ASIA 1/8 96	100	99.73	99.85	7.0000
MORGAN (JP) 1/4 97	250	98.78	99.63	7.0625
NAT WEST FIN 3/16 05	400	93.00	94.02	6.5000
NEW ZEALAND 93	500	99.72	99.82	6.5000
QUEBEC PROV 01	300	96.85	97.10	6.1250
RENFE 98	500	99.91	100.01	6.0625
SOCIETE GENERALE 96	300	99.19	99.29	6.3125
STATE BK VICTORIA 0.05 99	125	98.55	98.80	7.8625
UNITED KINGDOM -1/8 96	4000	100.06	100.09	6.1875

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.95	113⅛	114⅛	+9.42
ASDA-MFI 4 3/4 02 £	100	1.64	114	115	+62.57
BURTON GROUP 4 3/4 01 £	110	3.15	118⅞	120⅜	
EASTMAN KODAK 6 3/8 01	300	50.67	94⅝	95⅛	+16.59
GOLD KALGOORLIE 7 1/2 00	65	1.0554	63⅛	64½	+31.51
GOODYEAR TIRE 6 7/8 03	150	80⅛	64⅝	66	
GRACE (WR) 6 1/4 02	150	42⅛	86⅜	87⅛	+18.84
GRAND MET 6 1/4 02 £	100	6.58	119⅛	120⅛	-1.92
HAWLEY 6 02 PREF	400	1.91	89	90⅝	
HILLSDOWN 4 1/2 02 £	150	4.16	108⅛	109½	+87.07
INTL PAPER 5 3/4 02	200	68½	101⅛	102⅛	+6.48
LAND SECS 6 3/4 02 £	84	6.72	83⅜	84⅛	+8.23
MITSUBISHI BK 1 3/4 02	300	2727.1	111	113	+0.14
OGDEN 6 02	85	39.077	70⅛	71⅛	+44.22
PACIFIC DUNLOP 6 3/4 97	75	3.749	112⅛	113⅛	-1.47
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	83	84	+71.97
THORN EMI 5 3/4 04 £	103	7.45	111⅛	112⅞	+15.79

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month $above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

INTERNATIONAL CAPITAL MARKETS

Day of contrasts led with Ecu400m deal by Greece

By Simon London in London

THE INTERNATIONAL bond market was dominated by contrasting new issues from sovereign borrowers yesterday, led by the launch of an Ecu400m seven-year issue for Greece.

The borrower announced earlier this month that it had awarded the mandate for the deal to Credit Suisse First Boston, which underwrote the deal, together with Morgan Stanley, Nomura and Dresdner Bank. The four lead underwriters had pre-sold much of the paper before the deal was priced yesterday, leaving only small Ecu5m allocations for the other participants.

The bonds carry a coupon of 10.25 per cent and were reoffered to investors at a fixed price of 99.60, for a yield of 10.356 per cent. The deal includes investor put option and borrower call option after five years and the paper was priced against other five-year sovereign deals.

At the fixed reoffer price, the paper offers a healthy yield pick-up of around 130 basis points over issues by borrowers such as Belgium, Spain and the European Community, all of which yield around 9 per cent in the secondary market.

The additional yield offered on yesterday's issue reflects the lower credit quality of Greece.

The government carries a triple-B credit rating from Moody's Investors Service and Standard and Poor's, the US credit rating agencies.

Bonds were sold on the basis that the risk premium on paper issued by the lower-rated European governments will evaporate as economic and monetary integration proceeds.

The lead underwriters preplaced enough paper last week to increase the size of the deal from Ecu350m anticipated in the market.

However, the longer-term success of the deal may hinge on how many bonds are traded

INTERNATIONAL BONDS

in the secondary market.

If the deal is judged a success it may open the way for other lower-rated European governments, such as Turkey and Portugal, to borrow in Ecu in the international market. However, the next sovereign government to tap the market is expected to be Norway, although the size and maturity of any deal have yet to be fixed.

Yesterday, Turkey came with its first international bond offering since August last year, raising DM250m with a five-year deal lead managed by Commerzbank. Turkey does not have a credit rating but was an active issuer of Eurobonds from 1988 onwards. The bonds carry a coupon of 10.5 per cent and were priced at 100.50. However, bonds were sold to retail investors within Germany at a discount of 2 per cent, equivalent to full fees, where the paper yields 10.89 per cent.

The lead manager said the deal was comparable to issues by eastern European governments such as Hungary. For example, National Bank of Hungary's DM300m 10 per cent issue due 1996 was yesterday yielding 10.60 per cent in the secondary market.

At the other end of the European sovereign credit spectrum, Oesterreichische Kontrollbank (OKB), the Austrian state-owned bank which carries a triple-A credit rating, added to the glut of supply in the Canadian dollar sector of the market.

The market had been anticipating a US dollar issue from the borrower, suggesting that lead manager IBJ was able to offer an especially attractive swap arbitrage.

OKB launched a C$150m three-year deal, reoffered to investors at the fixed price of 100.35. At this level the bonds yield 44 basis points more than the benchmark Canadian government bond of this maturity.

The Canadian government bond market was weaker during the day and the yield spread narrowed to 41 basis points by late afternoon, with the deal trading at around the fixed reoffer level.

Participants in the deal reported strong demand for the bonds despite the weight of recently issued Canadian dollar paper overhanging the market.

● Citicorp yesterday increased the size of its five-year global asset-backed bond issue from $1.4bn to $1.68bn. The coupon on the senior tranche of the deal was fixed at 8.5 per cent.

The bonds were reoffered to investors at a fixed price of 99.15, where the yield spread is 95.5 basis points over US Treasury bonds.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
St.Cr.Cd.Mster.Tst.Series A(b)†	1.5bn	8½	99.15	1996	⅜	Salomon Bros.
St.Cr.Cd.Mster.Tst.Series B(b)†	180bn	9	99.15	1996	0.40	Salomon Bros.
ECUs						
Bank of Greece(c)†	400	10¼	99.60	1998	½	CSFB
CANADIAN DOLLARS						
Oesterreichische K'bank(a)†	150	10	101.525	1994	1⅜/0.1	IBJ Int.
D-MARKS						
Republic of Turkey(a)†	250	10½	100½	1996	2/1¼	Commerzbank
SWISS FRANCS						
Mita Industrial Co.(a)★★†	80	7¼	99¾	1996	⅜	Swiss Volksbank
DSL Bank(a)★★†	30	6¾	101⅞	1996	⅜	Swiss Volksbank

★★Private placement. §Convertible. ¶With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Credit card-backed issue. Full name of borrower - Standard Credit Card Master Trust Series (1) 1991-1 - a special purpose vehicle of Citicorp. B tranche is subordinate to A tranche. Non-callable. c) Callable and puttable on 29/5/98 at par.

Moody's to establish German subsidiary

By Stephen Fidler, Euromarkets Correspondent

MOODY'S Investors Service, the credit rating agency with headquarters in New York, said yesterday it was setting up a German subsidiary, the first rating agency to be established in the country.

The new subsidiary will be based in Frankfurt, although no decision has yet been made to establish analysts. Moody's has previously set up subsidiaries in London, Paris, Sydney and Tokyo.

The agency says it already rates 78 per cent of D-Mark Eurobonds, but its move into Germany reflects expectations about the development of the German money markets. In particular, the lifting of turnover tax in Germany at the start of the year has paved the way for the development of a significant commercial paper market, one which is usually highly dependent on commercial ratings.

The announcement comes as a group of about 20 German companies and institutions, led by Deutsche Bank, are pushing an initiative to establish a Europe-wide rating agency and break the lock which the two main US rating agencies – Moody's and Standard & Poor's – have over the European capital markets.

Electricity group sets up CP programme

EASTERN Electricity, one of the 12 UK regional electricity companies privatised last year, *has established* a £200m sterling commercial paper programme, writes Simon London.

The programme has been rated P1 and A-1+ – the top ratings – by Moody's Investors Service and Standard and Poor's, the US credit rating agencies.

NatWest capital markets arranged the programme and dealers are NatWest, Barclays de Zoete Wedd and Midland Montagu.

Japan relaxes UK power tender rules

By Clare Pearson in London

THE Japanese Ministry of Finance has cleared the way for investors in Japan to take part in a tender for shares in the two Scottish electricity companies, Scottish Power and Scottish Hydro-Electric.

The concession, which gets round a difficulty posed by rules covering public offers, signals a general relaxation.

Daiwa, lead securities house for the regional distribution syndicate, says it could pave the way for an enhanced use of tenders, until now infrequently used in the Japanese market.

It is also hoped the change will prevent a repetition of the embarrassment suffered by the UK government in last February's £2.2bn sale of the two generating companies in an earlier stage of the UK electricity privatisation.

In that sale, Japanese buyers bid up the share prices of the companies immediately after they started trading on the London stock market, causing the government to fear that it would be accused of under-pricing the sale.

The Scottish companies' flotation is to be closely modelled on the generators' sale. This

INTERNATIONAL EQUITY ISSUES

means that Barclays de Zoete Wedd, financial adviser to the Scottish Office, plans to build a book showing investor interest at different levels, ahead of setting the fixed price at which most of the shares will be sold on May 30.

Assuming market conditions permit, it also plans to put a proportion of the shares into a so-called back-end tender, to take place after the UK offer for sale closes on June 12, but before London dealings start. It will invite bids for the tender shares at levels above the fixed offer price.

The problem that Japanese securities houses encountered with the mechanism last time was that regulations covering a public offer – the method by which shares were being sold in Japan – precluded a tender being incorporated into it.

There was, in fact, a way round this. They could take a position in the tender shares and sell them into Japan after the public offer was over. But, in practice, Nomura opted to buy up shares after they started trading in London instead.

The concession won by Daiwa, however, eliminates the problem. Japanese investors will now be free to submit bids for shares, while at the same time being able to apply for them at the fixed price in the offer. Securities houses will then aggregate the bids for submission to BZW.

That means that if Japanese demand is strong, it should be reflected in the tender rather than appearing later, in the after-market.

The rule change also sets a precedent for tenders of this type to be launched by other companies. Daiwa says it would expect any to be launched initially by foreign companies, because they are more attuned to the tender mechanism than domestic Japanese companies.

■ PetroCanada, the Canadian state-owned oil and gas company, is raising C$800m through the sale of 15 per cent of its equity, writes Simon London. The shares will be priced next month at around C$15 per share, and $75m is being raised from international investors. RBC Dominion Securities is lead-managing the sale of the international tranche.

● The 19m share offering for Westinghouse, the US industrial group, was priced at $26.5 per share – raising approximately $500m for the company. The issue, lead-managed by Lehman Brothers, offers 4m shares to international investors. Lehman Brothers reported a strong response from UK institutional investors, attracted by the 4 per cent yield.

● A $100m issue of global depositary shares by Samsung, the Korean electronics giant, was well received by international investors, who are otherwise denied access to shares in Korean companies. As Korea's largest company, holdings in Samsung are regarded as a good proxy for the Korean stock market.

The issue, lead-managed by Credit Suisse First Boston, was priced last week at $26.21 per share, but has now risen to $27.5 per share.

Low-volume options de-listed by Chicago

THE Chicago Board Options Exchange has shifted its policy and decided to de-list eight low volume options, writes Barbara Durr in Chicago.

The move came after member-firms complained about the costs of maintaining rarely-traded options.

Among those to be removed are four exclusively CBOE-listed stock options, American Greetings Corporation, Bemis Company, BHC Communications and Imperial Oil, and four multiply-listed stock *options*, Apple Computer, Oshkosh B'Gosh, Santa Fe Energy Resources and Sotheby's Holdings.

Mr Charles Henry, CBOE president, said that competition among options exchanges had spurred an aggressive rate of new listings.

To de-list the exchange's exclusive options, CBOE will not add new series to their options classes. For multiply-listed options, CBOE will cease trading with May expirations.

Hees slides 18% to C$55.9m for quarter

By Bernard Simon in Toronto

HEES International Bancorp, the management services company at the heart of the far-flung business empire controlled by Toronto's Bronfman brothers, suffered an 18 per cent drop in first-quarter income, but predicted earnings for 1991 as a whole would roughly match last year.

Earnings fell to C$55.9m, (US$48.6m), or 54 cents a share, from C$68.5m, or 66 cents, a year earlier.

Revenues dipped by 17 per cent to C$152.8m.

The group blamed the decline mainly on the impact of the recession and the strong Canadian dollar on its investments, especially natural resources.

Merchant banking income also dropped due to lower interest rates and fewer assets earmarked for merchant banking activities.

Hees officials told the annual meeting yesterday that they expected no large capital commitments this year since current projects were fully funded and the company had no plans for significant expansions or new investments.

Hees describes itself as "a consulting group with money". Besides its investments in various other Bronfman companies, it has become involved in several *corporate rescues*, including the crippled real estate group BCE Development and credit card equipment maker National Business Systems.

Mr Bill L'Heureux, the company's managing partner, said Hees intends for the time being to concentrate on its assignments in hand to "ensure that it remains well positioned to help clients and affiliates endure the recession".

DTB plans to simulate five products

THE Deutsche Terminboerse (DTB) futures and options exchange said it would simulate trading in five new products from June 10, Reuters reports.

The new products are:

● An option on the 30-share DAX index;

● A future on a medium-term government bond;

● An option on DAX futures contracts;

● Options on long-term government bond futures contracts;

● Options on medium-term government bond futures contracts.

Trade in DAX options and options on the long-term bond future would start in August. No other dates were set.

The DTB currently trades a future on long-term bonds, a future on the DAX index and options on 15 leading equities.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Tuesday May 14 1991 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1991 to date	Mon May 13 Index No.	Fri May 10 Index No.	Thu May 9 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (186)	830.52	-0.8	11.25	5.85	10.90	14.65	837.23	846.56	852.37	834.62
2 Building Materials (24)	1084.77	-0.4	10.65	5.72	11.54	20.95	1089.43	1106.31	1108.54	1020.83
3 Contracting, Construction (31)	1314.00	-0.3	9.34	6.12	14.04	28.94	1318.42	1335.94	1332.53	1302.29
4 Electricals (10)	2347.83	-1.0	11.20	5.70	11.37	40.46	2371.04	2380.35	2400.13	2395.37
5 Electronics (25)	1748.98	-0.4	8.94	5.11	14.89	4.09	1756.42	1787.03	1805.51	1812.55
6 Engineering-Aerospace (8)	433.21	-0.8	16.11	5.78	7.47	10.60	436.53	439.72	444.63	444.34
7 Engineering-General (47)	440.71	-0.5	12.74	5.96	9.48	8.07	443.06	446.98	448.12	454.81
8 Metals and Metal Forming (8)	454.07	-0.6	19.71	7.60	6.25	0.59	456.94	461.54	461.63	478.69
9 Motors (13)	322.06	-1.2	12.55	7.55	9.41	9.89	325.85	328.19	333.10	330.08
10 Other Industrial Materials (20)	1493.02	-1.5	9.50	5.44	12.40	31.60	1515.46	1528.13	1547.34	1514.90
21 CONSUMER GROUP (187)	1448.14	-0.8	8.29	3.71	14.86	12.84	1460.03	1478.25	1485.64	1215.35
22 Brewers and Distillers (22)	1796.73	-0.7	8.62	3.66	14.21	14.86	1810.16	1833.08	1841.38	1437.95
25 *Food Manufacturing (20)*	*1155.72*	-0.7	9.99	4.23	12.35	15.95	*1164.30*	*1176.75*	*1185.96*	*1051.89*
26 Food Retailing (16)	2797.20	-0.5	7.85	2.79	16.66	16.72	2811.81	2844.60	2836.45	2267.35
27 Health and Household (21)	3225.29	-1.2	5.95	2.66	19.18	20.81	3265.82	3305.25	3324.03	2533.58
29 Hotels and Leisure (23)	1320.63	-0.9	10.35	5.24	11.40	17.30	1332.24	1348.88	1372.24	1360.46
30 Media (25)	1435.60	-0.8	9.50	4.77	13.39	20.96	1447.65	1473.73	1476.85	0.00
31 Packaging, Paper & Printing (16)	662.03	-1.6	8.18	4.98	15.29	11.81	672.82	684.15	692.57	561.22
34 Stores (33)	916.55	-0.3	8.76	3.97	14.85	3.42	919.68	930.73	933.59	742.60
35 Textiles (11)	540.61	-0.1	10.20	5.96	12.17	8.01	541.13	542.52	539.11	456.61
40 OTHER GROUPS (108)	1213.12	-0.5	9.74	4.98	12.61	10.01	1219.70	1235.16	1241.67	1104.08
41 Business Services (13)	1209.98	-0.2	10.84	4.93	11.39	11.45	1212.77	1223.50	1235.24	0.00
42 Chemicals (21)	1302.68	+2.3	8.94	5.49	12.84	24.59	1273.92	1290.40	1299.53	1202.74
43 Conglomerates (10)	1508.49	-1.8	10.11	6.81	11.92	13.24	1536.40	1566.25	1583.75	1573.07
44 Transport (14)	2191.14	-1.0	11.24	4.72	10.99	26.91	2214.00	2239.41	2250.74	2135.28
45 Electricity (14)	1191.06	-1.1	11.64	5.60	10.76	0.00	1204.85	1216.30	1209.07	0.00
46 Telephone Networks(4)	1448.99	-1.0	9.17	3.45	14.18	0.00	1464.12	1480.45	1484.78	1090.68
47 Water(10)	2444.04	-1.3	13.87	5.73	8.05	39.69	2476.89	2489.87	2502.86	1888.39
48 Miscellaneous (22)	1861.97	+0.1	6.32	5.02	20.25	21.46	1860.11	1892.06	1909.73	1693.36
49 *INDUSTRIAL GROUP (481)*	*1224.55*	*-0.7*	*9.35*	*4.55*	*13.15*	*12.75*	*1233.47*	*1248.61*	*1255.43*	*1097.89*
51 Oil & Gas (19)	2340.25	-1.1	10.76	5.69	12.11	40.03	2366.98	2421.98	2445.15	2244.03
59 500 SHARE INDEX (500)	1319.77	-0.8	9.53	4.69	13.00	14.90	1330.08	1348.27	1356.36	1193.41
61 FINANCIAL GROUP (97)	796.81	-1.3	-	5.92	-	17.76	807.59	817.21	820.43	762.06
62 Banks (9)	888.34	-2.0	7.85	6.18	18.48	21.93	906.44	915.08	917.61	810.24
65 Insurance (Life) (7)	1460.70	-0.9	-	5.67	-	41.64	1474.37	1501.08	1510.37	1304.64
66 Insurance (Composite) (6)	662.06	-1.5	-	6.62	-	20.23	672.37	683.78	689.07	637.00
67 Insurance (Brokers) (8)	1088.30	-0.8	7.25	6.17	17.96	21.24	1097.13	1116.28	1119.19	1049.11
68 Merchant Banks (7)	422.83	-0.5	-	4.79	-	4.47	425.02	428.13	427.72	415.61
69 Property (40)	978.99	-0.4	6.53	4.79	21.10	7.83	982.75	992.38	995.67	1065.10
70 Other Financial (20)	286.80	-0.3	9.18	6.30	13.54	4.41	287.77	288.72	289.11	297.50
71 Investment Trusts (69)	1210.63	....	-	3.44	-	12.42	1211.12	1224.06	1220.62	1163.01
99 ALL-SHARE INDEX (666)	1193.31	-0.8	-	4.82	-	15.23	1203.31	1219.38	1226.05	1089.69

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	May 13	May 10	May 9	May 8	May 7	Year ago
FT-SE 100 SHARE INDEX‡	2463.7	-22.9	2492.1	2462.2	2486.6	2524.3	2541.8	2523.4	2540.5	2212.2

FIXED INTEREST

PRICE INDICES	Tue May 14	Day's change %	Mon May 13	Accrued interest	xd adj. 1991 to date
British Government					
1 Up to 5 years (28)	120.98	-0.11	121.11	1.89	4.29
2 5-15 years (29)	130.13	-0.54	130.83	2.10	5.15
3 Over 15 years (8)	136.48	-0.71	137.46	1.72	5.02
4 Irredeemables (6)	149.77	-1.03	151.32	0.53	6.11
5 All stocks (70)	129.42	-0.41	129.96	2.01	4.92
Index-Linked					
6 Up to 5 years (1)	158.86	....	158.85	-0.01	2.72
7 Over 5 years (10)	147.23	-0.23	147.57	0.84	1.52
8 All stocks (11)	148.12	-0.22	148.45	0.81	1.56
9 Debs & Loans (56)	110.20	+0.03	110.17	2.56	3.47

AVERAGE GROSS REDEMPTION YIELDS		Tue May 14	Mon May 13	Year ago (approx.)
British Government				
1 Low	5 years	9.23	9.25	11.61
2 Coupons	15 years	9.83	9.74	11.24
3 (0%-7¾%)	20 years	9.96	9.86	11.10
4 Medium	5 years	10.38	10.28	12.92
5 Coupons	15 years	10.25	10.15	11.73
6 (8%-10¾%)	20 years	10.17	10.07	11.24
7 High	5 years	10.55	10.42	13.02
8 Coupons	15 years	10.39	10.35	12.05
9 (11%-)	20 years	10.27	10.33	11.54
10 Irredeemables	†	10.14	10.03	11.08
Index-Linked				
11 Inflation rate 5%	Up to 5yrs.	3.77	3.77	5.38
12 Inflation rate 5%	Over 5 yrs.	4.13	4.11	4.28
13 Inflation rate 10%	Up to 5 yrs.	2.96	2.95	4.26
14 Inflation rate 10%	Over 5 yrs.	3.96	3.94	4.08
15 Debs &	5 years	11.88	11.88	14.89
16 Loans	15 years	11.63	11.63	13.81
17	25 years	11.42	11.42	13.51

‡Opening index 2490.7; 9 am 2488.4; 10 am 2483.0; 11 am 2483.1; Noon 2488.0; 1 pm 2491.3; 2 pm 2484.0; 2.30 pm 2479.0; 3 pm 2467.6; 4.10 pm 2462.6; (a) 1.29pm (b) 4.18pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE includes details of the information used in the construction of these indices. These are available by subscription from FINSTAT, 071-925 2323.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	70	12
Corporations, Dominion and Foreign Bonds	0	7	13
Industrials	154	425	953
Financial and Properties	47	139	556
Oils	3	34	55
Plantations	0	2	8
Mines	15	33	115
Others	33	82	50
Totals	254	792	1,762

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

● First Dealings May 7
● Last Dealings May 24
● Last Declarations Aug. 8
● For settlement Aug. 19

For rate indications see end of London Share Service

Calls: Aran Energy, Betterware, Brent Walker, Brent Walker Cv.Pf., Cowie (T.), Ferranti, Grenada, Kunick, Lonrho, Rosebaugh, TV-am. Puts: Barrat Devs., BM Grp., Brent Walker, Put & Call: Brent Walker, Usher-Walker.

LONDON TRADED OPTIONS

[illegible]

UK COMPANY NEWS

Colin Beere

Keith Oates, joint managing director (left), Clinton Silver, deputy chairman and joint managing director (centre), and Richard Greenbury, chairman of M and S

Recession takes its toll on M and S

By John Thornhill

MARKS AND SPENCER, the retailing group, suffered a sharp decline in UK volume sales in the second half of the year as the recession began to bite.

Throughout its existing stores there was a 5.6 per cent fall in sales in the second half compared with a 2.8 per cent decline in the first. Overall, however, sales increased by 3.8 per cent in the UK and Eire because of the growth in selling space.

The strongest growth was recorded in food sales which advanced by 6.9 per cent to £2.04bn. Clothing sales increased by 2.2 per cent to £2.38bn but homeware was badly hit by the economic slowdown and saw sales fall by 0.1 per cent to £534.5m.

During the year M and S increased its net selling space by 4 per cent but reduced the number of full-time staff by 1,700.

Three edge-of-town stores were opened as well as four neighbourhood food stores. In addition an extra 220,000 sq ft of selling space was added in the high-street stores.

Capital expenditure totalled £300m, the bulk of which was spent in the UK and Eire, with £49m going on site acquisition, £144m on expansion and modernisation, and £55m on information technology.

By region M and S's operating profits were: UK and Eire £603.1m (£597.6m); Continental Europe £20.4m (£14.8m); US £10.3m (£17.9m); Far East £3.3m (£2m); and Canada £3.6m loss (£4.6m loss).

See Lex

Brierley wins shareholder support to head GPG

By Roland Rudd

SIR RON Brierley, the New Zealand entrepreneur, yesterday won support from an extraordinary general meeting to take over the running of GPG, the British investment company.

The group also announced that taxed profit for the six months to March would not be less than £2.7m (£1.8m), with shareholders' funds in excess of £39m after the restructuring deal. Full interim results are due within the next two weeks.

Brierley Investments (BIL) is to reduce its shareholding to 40 per cent by selling 140m shares at 15p each to Australasian investors.

BIL recently increased its GPG holding to 83 per cent after acquiring a 20 per cent stake of the company from Pergamon Holdings, Mr Robert Maxwell's private company.

Sir Ron is buying 3 per cent of GPG from his former investment vehicle for the same price.

The meeting also paved the way for the £6.8m sale of three BIL investments in which Sir Ron has been personally involved. The major holdings are 29.86 per cent of Stanley Gibbons Holdings, 14.99 per cent of Villa D'Este and 12.49 per cent of Allgas Energy.

All ordinary shareholders will be given 10p per share, and 86 per cent of the par value of £720,000 of preference shares will be repaid plus the accrued dividends of 6.3 per cent – the preference dividend has been passed three times.

The shares of GPG, one wing of the former Guinness Peat Group, were suspended in December at 23p.

Sir Ron hopes the International Stock Exchange will restore GPG's listing now that it is gaining its independence from BIL and widening its shareholder base. He also made it clear that he is looking at several acquisition opportunities.

Disputes and Jaguar maul underperforming market leader

Kevin Done analyses the difficulties during the past year at Ford resulting in a downturn into losses

THE SCALE of Ford's financial demise in the UK last year can best be judged against the much more impressive performance of its rivals.

Throughout the troubled decades of the 1970s and 1980s Ford of Britain appeared to have a seat in the lifeboat, while its competitors floundered in the water and threatened to disappear from sight.

Ford stood out as a survivor. The returns were not dazzling, but through all the crises it stayed in profit. Its last taxable loss was in 1971, although there was a small operating loss in 1984.

Last year it slumped into a pre-tax loss of £274m from a profit of £483m a year earlier.

To judge the state of Ford of Britain's core operations last year, it is necessary to strip out Jaguar, the loss-making luxury car maker, which Ford of the US chose to take over very expensively at the end of 1989 for £1.56bn.

Ford of Britain's accounts are now burdened with the financing costs and the operating losses arising from the Jaguar takeover, because it suits the loss-making Ford US parent company to deal with it in this way. One benefit should be that Ford of Britain will be able to avoid paying much corporation tax for some years to come.

However excluding Jaguar and its non-automotive businesses, Ford of Britain's pre-tax profit still fell by 87 per cent from £483m to £61m, and compared with a record £673m in 1988.

While Ford was suffering this reverse Vauxhall, which accumulated total losses of £330m in eight successive years from 1979 to 1986, increased its pre-tax profit marginally to a record £239.1m. Vauxhall's operating profits declined 13 per cent to £190.9m, while Rover's trading profits declined by 14 per cent to £55m, and Peugeot Talbot's pre-tax profits fell by 11 per cent to £109m.

The Ford of Britain group's operating profit, before interest charges and other financial items, fell by 73 per cent to £136m from £499m. The operating performance would have been even worse but for a change in the company's method of accounting for depreciation, which resulted in a flattering £84m credit.

Its problems did not come singly. It was hit by the general recession in the new car market, but it also under-performed the market, losing market share.

Output fell at its UK car plants and it was hit by long and damaging industrial action and it suffered continuing losses of £30.5m from its tractor operations. It also staged a highly troubled and costly launch of its new generation Escort/Orion range, traditionally its best-selling car. The range was panned by the specialist motoring press.

Ford's new car sales in the UK fell by 16.7 per cent last year to 507,260, compared with a drop in the overall market of 12.7 per cent. Its share of the market fell from 26.5 per cent to 25.3 per cent.

As the UK market leader it is inevitably under attack from all quarters. But the competition can only intensify during the 1990s, not least as Japan's three largest car makers Toyota, Nissan and Honda all bring their UK car assembly plants into full production.

Ominously its market share is already being eroded significantly with a fall from the peak of 30.9 per cent in 1981 to 25.3 per cent last year and only 23.4 per cent in the first four months of this year.

Car output at its Dagenham and Halewood assembly plants dropped by 13.8 per cent to 329,597.

Also damaging last year were Ford of Britain's continuing industrial relations problems which caused a seven-week closure of its Halewood plant on Merseyside and led to other closures including the Southampton van plant.

The production of 39,500 Escort and Orion cars and vans was lost at Halewood last year, and a total output of 77,000 vehicles was lost at Ford's UK and continental plants. According to Ford in the US the labour disputes in the UK in the first quarter of last year cut its pre-tax profits by $335m.

Lydia van der Meer

Derek Barron, chairman, planning capital spending of £2.5bn

The Halewood dispute in particular damaged Ford as it coincided with the build-up to the change-over of production systems at the plant to the new-generation Escort/Orion.

Ford's debilitating commercial and industrial problems have coincided with a period when capital investments in the UK are at a record level and were already stretching its balance sheet, even before the Jaguar burden. In 1990 £777m was spent following £559m in 1989. Between now and 1999 it is planned to spend a further £2.5bn.

Such spending can hardly carry on without an injection of funds from the US, when Ford of Britain's balance sheet is so over-stretched. Mr Bill Brooks, finance director, said yesterday that the company's debt to equity ratio was 3.5. A more normal ratio for a manufacturing company would be below 1. "We have to continuously look at the debt to equity ratio," he admitted.

Hanson's rise fails to please City

By Maggie Urry

HANSON, the Anglo-American conglomerate, yesterday reported a 3.2 per cent rise in interim pre-tax profits to £588m, compared with £570m.

Lord Hanson, chairman, said these were very creditable results given the difficult trading background. However, the figures, covering the six months to the end of March, were below the market's best hopes and the shares fell 5p to 220p.

Analysts said that the underlying performance showed a fall in profits after taking account of first time contributions from Peabody Coal, the mining company acquired in April last year, and Cavenham Forest Industries, bought in December.

The figures were also boosted by an unspecified profit on the $1.3bn sale of the group's 49 per cent stake in Newmont Mining. The stake was swapped for Cavenham Forest Industries. The dollar's move cost about £10m.

Lord Hanson and Lord White, who heads the US businesses, both referred to opportunities arising for the company, which has an acquisitive reputation.

The group announced the appointment of Mr Christopher Collins as director for corporate development. This will include looking at ideas both internally and externally for developing the group, Mr Martin Taylor, vice chairman said.

Mr Collins has worked for Hanson for two years, running its Hanson Sykes Pumps business and is a director of Renison Goldfields, the Australian company in which Hanson has a 46 per cent stake.

Group turnover rose 8.2 per cent to £3.92bn (£3.62bn) and trading profits were £503m (£459m). Income from interest and property, less central costs, was down from £111m to £85m. This includes the Newmont profit.

At the half year end the group's net cash had slipped to £232m from £559m at the year end, hit by translation of dollar debt and the payment of last year's final dividend.

A lower rate of tax helped fully diluted earnings per share rise 5.6 per cent to 9.4p (8.9p). The interim dividend is raised 5 per cent from 3p to 3.15p.

The UK businesses suffered a drop in trading profits to £252m (£290m), in spite of a rise in profits in the consumer division, which includes Imperial Tobacco and British Ever Ready, the battery business, to £152m (£146m). Imperial increased profits, but the rise in duty on cigarettes in the budget will affect the second half.

Profits from building products, such as roadstone and bricks, fell a third to £44m, while industrial profits were down from £78m to £56m.

US trading profits were £503m (£464m). The inclusion of Peabody more than accounted for the rise from £113m to £197m in industrial businesses profits, although after financing costs the Peabody contribution was nearer £20m.

Cavenham Forest Industries contributed about a third of the building division's profits of £34m (£35m). Consumer products profits were £20m (£26m).

● **COMMENT**

Hanson's trading statements will make interesting reading when new accounting rules demand separate disclosure of profits from acquired businesses. At present investors must rely on hints and guesses. But it is clear that the acquisition of Peabody was particularly timely, while the "sale" of Newmont Mining allowed an above-the-line profit of somewhat dubious origin which will be spread over the second half too. As always with Hanson the question is how that sort of thing can be repeated. The pressure is on to make another acquisition. Profits should comfortably top £1.3bn against last year's £1.29bn giving a prospective p/e of less than 11. That might look relatively cheap but sentiment is not running in Hanson's favour at the moment.

Brent shares drop to 27p on loss warning

By Maggie Urry

SHARES OF Brent Walker, the heavily-borrowed leisure group, fell 13p to 27p yesterday on further consideration of Monday's warning of "substantial" losses. The fall makes a two-day drop of 29p, more than half Monday's opening price of 56p.

The group plans to report results for 1990 next Monday, when it will also publish a summary balance sheet, which will show a "major reduction in shareholders' funds".

At the closing share price the group is capitalised at £14m, while its debts are thought to be more than 100 times that amount.

Even so the group's bankers, who are discussing a financial restructuring with the company, were yesterday playing down suggestions that they were considering the appointment of an administrator. "It's just not in the banks' interests to pull the plug," said one.

Although the group's balance sheet is expected to show a small positive net worth, this is based on a property valuation done on the basis that the group continues to own the assets. Proceeds from a fire sale would be less again than the revaluation. However, the banks won the security of the group's assets at the time of last November's standstill agreement with Brent Walker.

Bankers also pointed out that something had to be left for shareholders if only to encourage them to consent to refinancing proposals. Although the restructuring has been repeatedly delayed, proposals are expected to be put to shareholders in the next few weeks.

Gulf war and recession cut Vaux profits by 7% to £13m

By Philip Rawstorne

THE EFFECTS on its hotels business of the Gulf War and recession hit first half pre-tax profits of Vaux Group, the north-east based brewer and hotels and nursing homes operator.

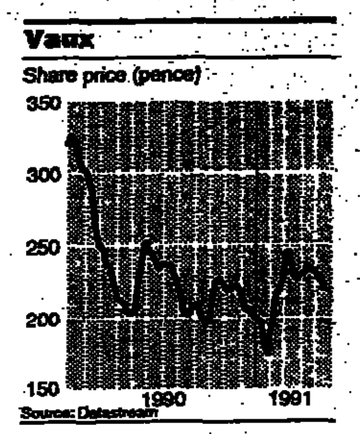
Yesterday the group reported a 7 per cent fall in pre-tax profit for the six months ended March 16, from £14.12m to £13.11m, as occupancy rates in its Swallow Hotels chain declined from 63 per cent to 56 per cent.

Trading profits for the hotels division – which opens its 35th hotel in Bristol later this year – dropped 14 per cent to £5.28m (£6.14m).

"Prospects for the rest of the year are very dependent on whether the hotel industry recovers," Mr Paul Nicholson, chairman, said.

There were some hopeful signs, though occupancy rates were still below last year, and margins were also under pressure because of the increase in VAT and tobacco and spirits duties.

Earnings per share for the half year were a lower 7.3p (8.16p) but the dividend is lifted to 3.1p (2.98p).



Turnover increased by 11 per cent to £122.64m (£110.59m) and trading profits rose 13 per cent to £15.67m (£13.85m), with strong performances from the brewing and nursing homes operations.

Trading profits from Vaux and Wards breweries were 31 per cent higher at £5.89m (£4.5m). Beer volumes rose 8 per cent with packaged beer sales over 20 per cent higher. A thousand barrels of low-alcohol lager a week were being brewed for Labatt of Canada.

Vaux Inns, the managed pub estate, pushed trading profits up by 8 per cent to £2.13m (£1.97m) and Blayneys off-licences recorded a 9.5 per cent increase to £931,000 (£850,000).

The group has increased its pub estate by around 160 to 689 over the past year. "We believe in the future of the pub," Mr Nicholson said.

Profit contribution from nursing homes was 61 per cent higher at £1.3m (£806,000) as occupancy rates rose 3 per cent to 87 per cent.

Extraordinary profits totalled £7.1m and comprised £6.4m from the sale and lease-back of a hotel in Essex, and £706,000 from the disposal of the 19 per cent stake in Tyne Tees television.

Analysts expect full year pre-tax profits of around £33m against last year's £28.8m.

Mowat calls for £10m as profits fall

By Michiyo Nakamoto

Profit of the Mowat Group, the USM-quoted property and leisure combine, suffered from a surge in interest rates, but there is to be a 1-for-1 rights issue to raise £10m to expand the holiday business and reduce substantial borrowings.

The profit for the half year ended December 31 1990 reached only £30,000; that compared with £854,000 last time which fell to £651,000 for the full year.

The issue of 95.18m shares, at 11p each, follows a bank refinancing in December by which £20m of short-term debt was converted into medium-term debt.

A surge in interest charges to £4.49m (£2.35m) took pre-tax profits for the group down to £30,000 (£854,000).

Operating profits were up over 40 per cent at £4.53m (£3.21m).

Earnings per share declined to 0.02p (0.64p) and no interim dividend is declared (0.5p).

White knights most often the heroes, takeover study shows

By Peter Martin

COMPANIES faced with a cash takeover bid usually lose unless they find a "white *knight" rival bidder*, according to a study published today.

The study, Takeover Defence Strategies*, was written by Mr Tim Jenkinson of Keble College, Oxford and Prof Colin Mayer of the City University Business School, London.

The authors studied all 42 hostile takeovers made in the UK between January 1989 and March 1990. They concluded: "Targets have an effective defence against hostile bids – even cash bids – provided that they are able to find a white knight. Where bids are not for cash, then spirited financial responses [such as profit forecasts] may be adequate."

Other conclusions included:

● Successful companies were as likely to be bid targets as unsuccessful ones – only 40 per cent of targets of hostile bids had displayed recent evidence of falling share prices, earnings or dividends. Poor recent performance seemed to make little difference to the outcome of the bid.

● Even if the hostile bidder failed to win the day, another bidder might. Control of the target company changed hands in two thirds of all hostile takeovers from 1984 to 1989.

● The most common form of bid was all-cash (43 per cent). All-equity bids were half as common (21 per cent). Mixed bids – involving both cash and equity – accounted for 36 per cent of the total.

● Success rates varied from 56 per cent (in the case of cash bids) to 53 per cent (mixed bids) and 11 per cent (equity-only bids).

● Two thirds of all-cash bids were raised in the course of the battle, but three quarters of initial equity bids were left unchanged.

● The most common takeover defence was making forecasts of future performance, adopted by 81 per cent of bid targets. The other common tactics were: appealing to regulatory bodies, politicians or the courts (45 per cent); finding a white knight (31 per cent); and announcing a corporate restructuring (21 per cent).

● Where a white knight entered the contest, bids almost invariably failed. Where no white knight entered, cash offers generally succeeded, but the outcome of equity or mixed offers depended on the strength of the defence put up by the target.

The authors concluded that though a white knight defence was often successful, it carried a high cost in terms of loss of control. Boards wishing to fend off possible takeover bids should consider setting up cross-shareholdings between groups of companies, the authors said.

Takeover Defence Strategies, Oxford Economic Research Associates, Blue Boar Court, Alfred St, Oxford OX1 4EH.

Small nappy maker squeezed out in price war

By David Owen

The £370m UK disposable nappy market is showing signs of a case of the collywobbles, with the appointment of receivers to Blue Ridge Care, the Consett-based manufacturer.

Blue Ridge is one of the smaller players in the fast-expanding UK market, which is dominated by Procter & Gamble's Pampers brand.

The receivers, Ernst & Young, blamed Blue Ridge's demise on a nappy price war that had prevented raw material cost increases being passed on.

It recently lost "two large contracts" supplying own-label nappies to major retailers.

The receivers are endeavouring to sell the business as a going concern.

None of the company's 125-strong workforce has to date been laid off. The size of the group's debts had not yet been determined.

According to Euromonitor, the London-based market research company, Pampers accounts for 40 per cent by value of UK disposable nappy sales, with Togs, Peaudouce and Boots the next biggest.

Between 1981 and 1989 the market has grown more than four-fold to 2.7bn units.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Allied-Lyons	fin	12.54	July 26	11.3	18.81	16.95
Apollo Metals	int	1.15	July 10	1	-	3
Drayton English	fin	2.3†	July 19	2.2	3.2	3
Fitzwilton	fin	2♣	-	2	3.5	3.5
Hanson	int	3.15	July 26	3	-	10.4
Hart'pools Water	fin	23	July 1	-	43	-
Huntingdon Intl	int	0.875	-	0.8	-	2.6
Leeds Group	int	3†	July 1	3	-	9.25
Marks & Spencer	fin	4.7	Aug 8	4.55	6.7	6.4
Mowat Group	int	nil	-	0.5	-	0.5
Vaux Group	int	3.1	July 3	2.98	-	8.76

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ♣Irish currency.

UK COMPANY NEWS

General Accident sees improvement

By Clare Pearson

GENERAL ACCIDENT, the Perth-based general and life insurer, yesterday fulfilled the more pessimistic expectations in the stock market when it announced a pre-tax loss of £75.1m for the three months to end-March.

That was less than the £81.5m reported for the comparable period, when there were particularly severe weather conditions in early 1990.

Underwriting deficits both in the UK and the US, which come in a context of deteriorating conditions for all the composite insurers, deepened to an even greater extent than many analysts had expected.

However, Mr Nelson Robertson, chief general manager, injected a spark of optimism into the results announcement by noting that: "In each of our major markets our results have shown an improving trend within the first quarter, and that trend has continued into April."

He said GA still expected an overall improvement in 1991 results over those for 1990, when pre-tax losses were £131.3m.

Worldwide underwriting losses were higher at £167.3m, compared with £153.9m.

The general effects of the recession, coming at a time of a competitive squeeze on rates, has hit GA hard along with the other composite insurers. In addition there have been increases in arson and crime-related and subsidence claims.

Yesterday, Mr Robertson reiterated GA's commitment to seek rate increases rather than higher volumes and said benefits of cost control measures were beginning to show through.

GA's latest retrenchment measure, announced last month, is the winding down of NZI Bank, its New Zealand bank subsidiary. Within these figures the bank produced a profit of £200,000, compared with a £1.5m loss.

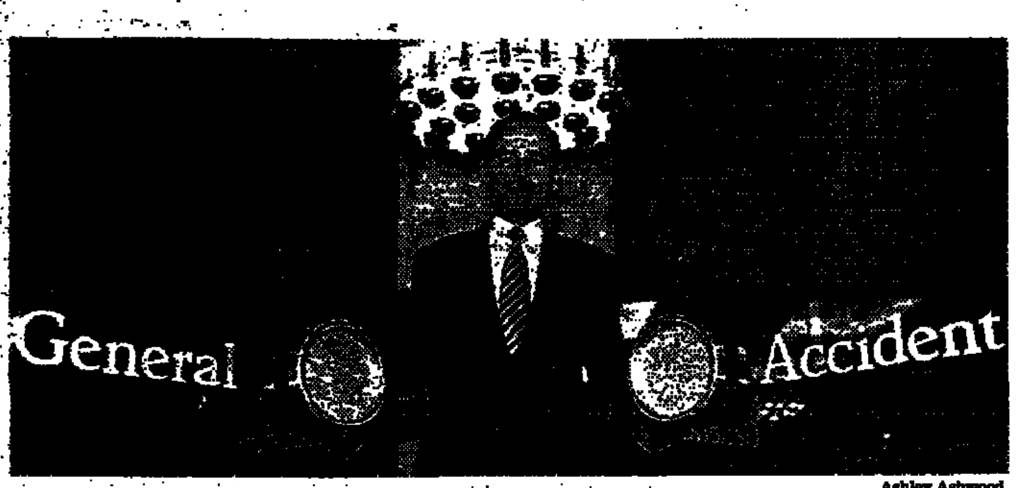
The UK underwriting deficit worsened to £92.8m (£80.2m) despite the adverse weather impact on the comparable figure. Losses were particularly marked on the motor account. However, motor claims frequency improved as the quarter progressed and GA will now start benefitting from rate increases.

In the US, underwriting losses were £39.7m (£25.2m). An improvement in commercial business was more than offset by a deterioration in personal lines.

Currency movements, in particular the stronger US dollar, had a positive effect on the results. Premium income on general business was up at £819.1m (£716.2m). GA said growth in original currencies was eight per cent, reflecting rate increases rather than volume growth.

The dollar movement and higher stock market values helped boost investment income, which in sterling terms rose to £110.1m (£92.5m).

The estate agency deficit was £5.2m (£5.5m). The loss per share was 13.8p (14.8p).



Ashley Ashwood

Nelson Robertson: benefits of cost control measures beginning to show through

Leeds Grp rises despite difficult six months

By Alice Rawsthorn

LEEDS GROUP, the textile company specialising in dyeing and printing, yesterday announced a slight increase in interim pre-tax profits from £1.8m to £1.87m, despite the troubled state of the textile market.

Mr Robert Wade, chairman and managing director, said it had been a "very, very difficult six months" but that the group had "managed to hold its own". He said there had been no sign of recovery so far in the second half and that the future was "very uncertain".

Earnings per share for the six months ended March 31 1991 were 11.5p (11.4p). The interim dividend is held at 3p, but Mr Wade said he would be "very reluctant" not to increase the final given that the group had increased its total dividend every year for the past 25 years.

Leeds' shares were unchanged at 287p on the announcement yesterday.

Turnover fell to £13.84m (£15.39m) reflecting the increase in the proportion of commission processing and the sharp fall in the wool price.

Leeds had to write down its own stock values when the wool price first fell last summer and was forced to do so again – by £100,000 taken above the line – after it dropped further in February.

Mr Wade said the group had been able to adapt to the downturn in the market, mainly by reducing the number of working hours by 15 to 20 per cent. However, he said, that had meant that some employees had left the group because of the corresponding fall in their wages.

Higher finance costs send Fitzwilton lower

By Kieran Cooke in Dublin

HIGHER INTEREST charges left 1990 pre-tax profits at Fitzwilton, Dublin-based holding company, down at I£11.7m (£10.56m), compared with I£12.1m.

Operating profits for the company, headed by Mr Tony O'Reilly, the Irish-American businessman and Heinz chief executive, were up 20 per cent to I£13.2m (I£11m). Turnover increased to I£400m (I£244m).

The company described the results as "creditable when measured against the economic conditions of our main markets".

The cash and carry operations had grown to be among the top six in the sector in the UK, the company. Keep Trust, the motor distribution business purchased for £54m in early 1988, had a difficult second half due to the nationwide fall off in car sales.

Fitzwilton warned of continued difficult trading conditions in the first quarter of the present year.

Earnings per share fell from 11.2p to 7.9p. Fitzwilton's share capital expanded greatly following a fund raising exercise early last year to purchase a 9.3 per cent stake in Waterford Wedgwood, the china and crystalware group.

At the end of the period net bank debt was I£20m, a debt/equity ratio of 32 per cent.

The company, which was restructured in 1987 with backing from a number of wealthy US-based shareholders, has recently concentrated on the cash and carry businesses, mainly in the north of England, and its UK motor distributorships.

Mr Kevin McGoran, chief executive, said that though the company was in the trough of the present reduction in UK car sales, he was still hopeful about the rest of the year. On the Waterford Wedgwood investment he said he had been encouraged by the progress achieved over the last year.

Earlier this month Waterford Wedgwood announced pre-tax losses for 1990 of I£21.4m, compared with losses of I£20.6m. However there was a considerable improvement in the second half operating profit to I£9.7m (I£247,000) and group debt had been reduced from I£125m to I£38m.

The trading results of Waterford Wedgwood are not incorporated in Fitzwilton's 1990 earnings.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Avon Rubber, Concentric, Country- [illegible]

FUTURE DATES

Finals-

Airflow Streamlines	May 23
Bio-Isolates	May 23
Elswick	June 13
Ocean Wilsons	May 16
Wellman	June 13

Allied-Lyons profits decline 15%

By Philip Rawstorne

ALLIED-LYONS' £147m loss on foreign exchange dealings earlier this year dragged its pre-tax profits down by 15 per cent, from £565m to £479m.

The drinks, food and retailing group also reported a 21 per cent slump in earnings per share, from 47.7p to 37.6p, under the impact of the exchange losses.

As a mark of the "fundamental health" of the group, however, the final dividend is lifted to 12.54p, increasing the total for the year ended March 2 1991 to 18.81p (16.95p).

Mr Tony Hales, who becomes group chief executive in July, yesterday stressed the underlying strength of the group's trading performance.

Trading profits before the currency loss – taken as an exceptional item – increased by almost 20 per cent to £803m (£671m) on turnover eight and one half per cent higher at £5.13bn (£4.73bn). The growth was achieved despite a 12.5 per cent rise in worldwide marketing expenditure.

Pre-tax profit for the trading divisions rose by 11 per cent.

A first contribution from James Burrough, acquired from Whitbread, helped Hiram Walker-Allied Vintners, the spirits division, to lift profits 27 per cent to £403m (£318m), on turnover 18 per cent higher at £1.97bn (£1.67bn).

Sales volumes benefited from the premium status of brands such as Ballantine's Scotch whisky and Courvoisier cognac. Margins improved to 18.2 per cent compared with nine per cent five years ago.

Allied Breweries recorded a 10 per cent increase in trading profits to £256m (£232m) on turnover up to £1.92bn (£1.76bn). The underlying UK brewing and pub retailing business grew even faster.

Beer volume and market share both increased. Tetley, Skol and Castlemaine – whose future in Europe is now under discussion with Lion Nathan – all made gains. Pub retailing also improved. Pub food sales were up 22 per cent and business in the group's "quality" pubs was ahead 19 per cent.

J Lyons food operations showed a 35 per cent increase in trading profit to £139m (£103m) on turnover 16 per cent up at £1.17bn (£1.01bn). Beverage profits rose by over a quarter helped by the success of the Tetley round tea bag, a £100m brand which is now challenging for UK market leadership.

In franchising, system-wide sales of Dunkin' Donuts rose 11 per cent, topping the $1bn mark. Baskin-Robbins achieved sales volume growth against the market trend.

Capital expenditure amounted to £357m (£371m) but a positive cash flow reduced borrowings by £123m and gearing from 78 to 70 per cent.

See Lex

Apollo Metals dividend up in spite of setback

By Paul Cheeseright, Midlands Correspondent

Apollo Metals, the aluminium processing and distribution company based in Birmingham, is raising its interim dividend in spite of a decline in half-yearly pre-tax profits.

During the six months to last March, pre-tax profits before tax were £969,000 compared with £1.19m in the 1989-90 first half, when earnings were exceptionally swollen by a property disposal. But operating profit also declined from £1.13m to £1.07m on turnover up from £12.75m to £14.3m.

Earnings per share for the 1990-91 first half slipped to 4.8p (6.1p), while the interim dividend is raised 15 per cent to 1.15p a share.

Mr Clive Orford, Apollo's deputy managing director, noted that the dividend cover was high. He presented the increase as an indication of faith in the longer-term potential of the company while conceding that the existing level of profits was not as high as the board would like it to be.

Against the background of recession, demand for Apollo's products has been, and remains, patchy.

Sales to the general engineering sector have been hurt by the downturn and a fall in export volumes, so that margins have been under pressure. But, among customers in the aerospace and defence industries, demand has remained reasonable without putting margins under pressure.

£2.2m frozen foods buy for Booker

Booker, the food distribution and agribusiness group, is acquiring Wm Bennett Frozen Foods of Sheffield for £2.2m cash.

The company will be merged with Pullman Foods, a supplier of frozen food to the catering market.

Of the consideration, £1.88m was paid on completion and the balance will be paid on the finalisation of the audited completion accounts.

Sales for the year to February 22 were £14.3m and net assets at the end of the period were estimated at £800,000.

Improvement at Drayton English

Over the six months ended April 30 1991 net asset value of Drayton English & International Trust improved from 105.4p to 108.4p per share.

At April 30 1990 it had stood at 139.1p.

In the year ended April 30 1991 gross revenue rose to £8.07m (£5.6m), and net revenue moved up to £3.69m (£2.62m).

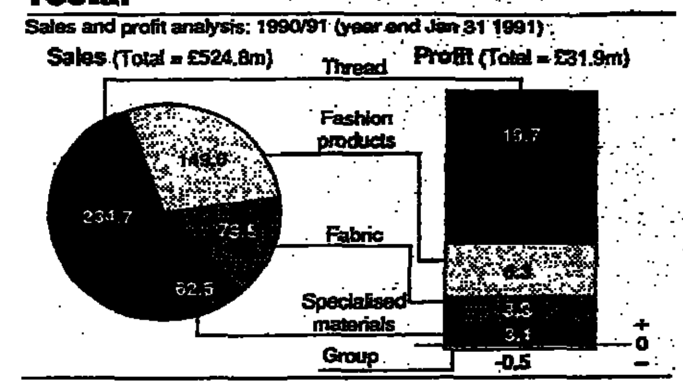
That gave earnings per share of 3.16p (3.03p), and a final dividend of 2.3p lifts the total to 3.2p (3p).

Where vulnerability is a common thread

Alice Rawsthorn on the prospects facing Tootal and Coats Viyella

Tootal

Sales and profit analysis: 1990/91 (year end Jan 31 1991)



FOR weeks Coats Viyella and Tootal, aided and abetted by their respective armies of bankers, brokers and investigative accountants, have been battling against each other in their very hostile £252m bid.

At lunchtime on Friday hostilities will cease when the votes are counted to see whether Coats, Britain's biggest textile group, has succeeded in securing enough shareholder support to win control of Tootal, another major player in British textiles.

So far the battle has been dominated by all the allegations and counter-allegations of financial fiddles and managerial mistakes that have been flung from one side to the other. The fundamental issue of Tootal's future – inside or outside Coats Viyella – has tended to be neglected.

What will happen if the bid succeeds and Coats takes over Tootal? Alternatively, what would the future hold for Tootal if the bid fails and it clings on to its independence? Tootal is a company with annual sales of £525m and 15,000 employees, half of whom work in the UK. Its main area of activity is sewing thread, an international business with sales of £235m and strong positions in Asia and the US.

Tootal also has clothing and homeware interests in the UK – where it is one of the larger suppliers to Marks and Spencer – together with a specialised materials business making "high tech" or industrial textiles.

The chief attraction of Tootal for Coats is to add the thread companies to its own extensive thread interests thereby becoming the biggest single player in international sewing thread.

Coats has already mapped out a plan to combine the two companies' thread businesses. Administration would be merged in all markets. Coats would also merge distribution apart from in the more "mature" markets, such as the UK, where it would retain separate sales forces.

The manufacturing operation would be streamlined with plants specialising in particular products. However Coats would consider closing a number of thread factories according to Mr Neville Bain, chief executive.

Coats claims this strategy would achieve significant synergies by exploiting economies of scale in production and defraying administrative costs across a bigger business.

This makes sense in theory, but in practice Coats might lose market share if its customers baulked at the prospect of dealing with so powerful a supplier capable of of dictating terms and raising prices.

Sir David Alliance, Coats chairman, accepts there is a possibility of losing share. However, he claims Coats would lose no more than 10 per cent and that this loss would be offset by projected savings in thread of about £12m a year.

As for the rest of Tootal, Coats plans to keep the clothing companies. Again there is a question mark over whether it would lose market share with M and S given that in some categories – notably women's trousers and men's shirts – its share would be more than 50 per cent.

Sir David maintains Coats will be judged on its performance and that as long as it meets M and S's criteria for quality and service it will not lose share. However, its competitors anticipate some loss over the longer term.

Coats is reviewing the future of the other Tootal businesses. It would almost certainly sell the specialised materials company, which, according to Mr Bain, would need substantial investment to remain competitive. It would also consider selling some of the smaller textile companies.

Coats has devised a two-year disposal plan, with the aim of reducing gearing from a peak of 65 per cent, after the acquisition, to about 40 per cent after one year and 30 per cent after two years.

Ms Rosemary Banyard, textile analyst at James Capel, calculates that the combined Coats/Tootal would make pre-tax profits of £115m in 1991 and £145m in 1992.

The chief concern for shareholders is whether Coats is really in a position to absorb Tootal, given that it clearly has had difficulty integrating Coats Patons since acquiring that company five years ago.

If the integration of Tootal ran into problems, or the loss of market share was higher than expected, Coats could be in a weak position operationally and financially. It would be particularly vulnerable in thread where the production process is so capital intensive that any disruption has an exaggerated effect on profits.

As for Tootal itself, the critical question is whether it has a future as an independent group. Mr Anthony Habgood, who became chief executive in January, has implemented a new strategy of rationalisation and reorganisation most of which is now completed.

Tootal claims this strategy has already improved profitability by £10m a year – thereby boosting pre-tax profits from £23.2m to an anticipated £32.5m this year – and will produce a further improvement of £7.5m from next year.

However, Tootal's balance sheet is in poor shape. It made an extraordinary charge of £23m last year and also dipped into reserves to pay its dividend. By the year end its net debt stood at £80m and gearing at 51 per cent.

This has fuelled concern that Tootal might be forced to curb capital expenditure thereby jeopardising its long-term prospects. Analysts also speculate that it may be forced to resort to a rights issue or to asset disposals. Mr Habgood denies this, saying Tootal will be able to reduce debt through improved financial management.

These are the issues for Tootal's shareholders. Should they accept Coats' shares in the hope that it will be able to integrate Tootal? Should they stick with Tootal and gamble on its chances as an independent company? Or should they wash their hands of both and take Coats' cash to invest in something else?

They have until 1pm on Friday to make up their minds.

NEWS DIGEST

Alexanders Hldgs down by £500,000

EXCEPTIONALLY poor vehicle sales hit Alexanders Holdings, the largest Ford main dealer in Scotland, in the first half.

Turnover was maintained at £43.9m in the six months ended March 31 1991, against £43.8m, but pre-tax profits slumped from £707,000 to £207,000.

Mrs Aleksandra Clayton, who heads the company, said the second half had traditionally been stronger and "we hope to have a reasonably good year". It was intended to hold the year's dividend at 1p.

The group enjoyed a high degree of liquidity, Mrs Clayton added.

During the period refurbishment and extension to the Edinburgh showroom was completed.

After a lower tax charge of £47,000 (£191,000) earnings per share fell to 0.361p (1.284p).

Growth slows at Huntingdon

Huntingdon International, the biological safety testing and engineering services group, increased its pre-tax profits by just 2 per cent to £3.22m in the six months ended March 31.

Operating profits rose by 7 per cent, from £6.83m to £7.3m.

Turnover grew by 25 per cent to £27.56m. Mr Dennie Wooley, the chairman, said Huntingdon's revenues had not risen as fast as expected and costs were not shed as rapidly as desired, especially in the Life Sciences sector.

Earnings per share fell from 3p to 2.8p and the company resolved an interim dividend of 0.875p per share.

Revenue in the engineering and environmental services group grew by 61 per cent, despite the low level of construction activity in the US but margins suffered.

Whiteley, the UK engineering and environmental company began to benefit in its water related business as a result of the introduction of the Environmental Protection Act.

During the period Huntingdon acquired for $3.4m Schaefer Dixon, a geotechnical and environmental engineering services company, which was based in Orange County, California.

The company said that Schaefer's water resource engineering capabilities were increasingly important in California which was struggling to provide water to a growing population.

Hartlepools Water jumps to £960,000

Hartlepools Water has made a "sound start" to trading under the new regulatory regime.

In the year ended March 31 1991 its pre-tax profit jumped from £160,000 to £960,000, on turnover of £4.65m (£4.2m).

Earnings per share were 85p and the final dividend is a recommended 23p for a total of 43p. The board said it intended to follow a progressive dividend policy with the aim of increasing annual payments in real terms.

Mining & Allied static at £0.16m

Organisational and management changes implemented last year enabled Mining & Allied Supplies to hold its interim pre-tax profit at £161,000.

The comparison was £167,000, which was reduced to £150,000 by the end of the year to September 30 1990.

The result was achieved on turnover 24 per cent down at £10.4m. Earnings were 0.38p (0.34p) per share.

The UK subsidiary continued to be affected by depressed conditions in the manufacturing industry in the west Midlands, and made a negligible contribution.

In Canada, the labour disputes and plant closures experienced by many customers continued in the first half. Those disputes had been settled, and there were indications of improved results in the second half.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price £/MWh	Pool selling price £/MWh
[illegible]	[illegible]	[illegible]

[illegible]

FT LAW REPORTS

Bank retains right to order disclosures

A AND OTHERS v B BANK, BANK OF ENGLAND INTERVENING
Queen's Bench Division
(Commercial Court):
Mr Justice Hirst:
May 10 1991

THE BANK of England's statutory power to order an authorised deposit-taking institution to disclose documents which the Bank reasonably requires for performance of its supervisory functions, overrides a court order restraining the institution from disclosing the documents to any third party pending trial of an action against it.

Mr Justice Hirst so held on an application by the defendant, B Bank, for directions as to whether, despite an injunction restraining it from disclosing documents pending trial of an action by the plaintiffs, A and others, it was free to comply with a Bank of England notice for their disclosure.

HIS LORDSHIP said that on August 13 1990 Mr Justice Morland granted A and others an injunction restraining B Bank, until trial or further order, from disclosing to the New York grand jury or "any third party", all documents and information held by B Bank at its London branches or elsewhere within the jurisdiction.

B Bank had been ordered by a subpoena issued in New York on July 24 1990 to produce the documents referred to in the injunction.

On April 26 1991 the Bank of England served on B Bank a notice under section 39(3)(a) of the Banking Act 1987, requiring it to produce specified documents comprising all or some of the documents covered by the injunction.

The documents related to the accounts of seven of the plaintiffs, *including* A, on the ground that they were reasonably required by the Bank of England for performance of its functions under the Act.

The notice specified various classes of documents relating to acquisition of three US banks by a US bank holding company.

On the present application B Bank sought directions as to whether notwithstanding Mr Justice Morley's order, it was at liberty to comply with the section 39 notice.

B Bank was anxious to comply with the notice, but was concerned that compliance might breach the injunction.

Section 1(1) of the Banking Act provided that the Bank of England should have the powers conferred on it by the Act "and the duty generally to supervise the institutions authorised by it in the exercise of those powers".

By section 3 no person in the UK could accept a deposit in the course of a deposit-taking business, unless authorised by the Bank of England.

One of the minimum criteria for authorisation was that the business must be conducted "in a prudent manner". B Bank was an authorised institution.

Section 39(3) empowered the Bank, by notice in writing, to require an authorised institution to disclose to it such information or documents as it might reasonably require for performance of its functions under the Act.

Section 39(11) provided that any person who "without reasonable excuse" failed to comply with a section 39 requirement, should be guilty of an offence and liable to imprisonment or fine.

Section 40(1) provided that Bank of England officers might *enter any premises occupied by* a person on whom a section 39 notice had been served, for the purpose of obtaining the required information or documents.

Section 40(3) provided that any person who intentionally obstructed those officers would be liable to imprisonment or fine.

The basis for the section 39 notice was set out in an affidavit sworn by Mr Roger Barnes, assistant director of the Bank of England and head of the banking supervision division.

His evidence was that notice was served for the purpose of an investigation into information from the board of governors of the Federal Reserve System, that B Bank had acquired control of a US bank holding company and subsidiaries, and two other banks, in violation of US law.

He said he was also informed that B Bank and its agents appeared to have made false and fraudulent statements to the board, regarding ownership and control of the bank holding company and another bank.

He said, if true, those matters were of concern to the Bank of England as supervisor of B Bank. He was satisfied that the documents were necessary for the Bank of England to discharge its supervisory functions in respect of B Bank.

He was also satisfied that it was "reasonable" to require production of the documents.

The main issue was whether section 39 overrode the injunction. Mr Beloff for B Bank said there was no basis for implying an exception to the prohibition in the injunction to the effect of "otherwise than pursuant to a section 39 notice".

He said Parliament could by legislation have provided for revocation or variation of an injunction, but it did not do so in section 39. It would be surprising, he submitted, if Parliament had given the Bank of England the right to issue notices calling for immediate production of documents which overrode court orders, and it would be constitutionally anomalous to allow an executive order to override a judicial order.

He submitted that a court order provided a "reasonable excuse "within section 39(11).

Mr Langley for the Bank of England said the basis of the injunction was the bank/customer relationship of confidence, and it was well-established that the duty of confidence was overridden by the duty to comply with the law (see *Taylor No 2 [1989] 3 All ER 353*).

Since the Act overrode the duty of confidence, he said, it must also override *inter partes* orders made on that basis, otherwise the Bank of England could not properly discharge its public duty of supervision.

As to section 39(11) he relied on *Bank of England v Riley, CA, unreported, October 17 1990.* There Lord Justice Ralph Gibson, referring to exclusion of privilege against self-incrimination under section 42 of the Act, said that "reasonable excuse" in section 42 covered "such matters as physical inability to comply with a requirement for information or documents arising from illness or accidental destruction".

Finally, he said, there was a strong presumption against the court having made an order which could have the effect of overriding or emasculating section 39.

Mr Philipson for A and others supported Mr Beloff's arguments.

The statutory purpose of the Act was contained in section 1.

The scope of the public duty to supervise authorised institutions was extremely wide, since the authorised institutions included, under section 3, all "deposit-taking business".

In fulfilling that duty the Bank of England might often be faced with situations where extremely urgent action was required, and where delay could result in losses to substantial numbers of customers of such institutions, whose interests the Act was designed to protect.

Mr Beloff and Mr Philipson had argued that the Bank of England would not suffer any inconvenience if it had to apply to vary an injunction before it could set the section 39 process in motion.

That argument was rejected. In most cases the Bank of England would not know of the existence of an injunction until after notice was served.

It was manifest that fulfilment of the Bank of England's public duty overrode the duty of confidence to customers.

Both Mr Beloff and Mr Philipson placed strong reliance on section 39(11), but an injunction did not qualify as a "reasonable excuse" within that subsection.

The situations envisaged by subsection (11) were well illustrated by *Riley*, which was dealing with the same words in another section of the same Act. The terms of section 40 strongly supported those conclusions.

Section 40(1) allowed Bank of England officers to enter premises, with no protection of "reasonable excuse" accorded to the person on whom the notice was served. Indeed, any obstruction would, under subsection (3), expose that person to the risk of prosecution.

Section 39 overrode the injunction.

For the reasons given by Mr Langley the injunction as framed should be interpreted as not prohibiting compliance with the section 39 notice.

Mr Barnes's evidence was accepted in its entirety. The documents were reasonably required by the Bank of England for performance if its functions under the Act.

Mr Philipson said the notice was defective because it specified documents by class, not individually.

It was proper for documents to be specified by class in a section 39 notice.

For B Bank: Michael Beloff QC and Ali Malek (Stephenson Harwood).
For A and others: Trevor Philipson QC and Timothy Wormington (Berwin Leighton).
For the Bank of England: Gordon Langley QC ad Thomas Keith (Freshfields).

Rachel Davies
Barrister

COMMODITIES AND AGRICULTURE

Western companies await decision by Soviets on oil

By John Lloyd in Moscow

WESTERN oil companies expect a decision from the Soviet authorities within the next few months on their participation in major oil fields in the Soviet Union.

The Soviet Oil and Gas Ministry has told the companies that it is considering forming some 15-20 consortia of oil producing enterprises, which would be granted the freedom to trade more freely with the west, and to grant concessions and attract the investment of western partners.

The first decision is likely to be made on the so-called Azeri field, in the deep waters of the Caspian Sea, off Baku, the Azerbaijan capital.

Three companies – the US companies Amoco and Unical and the British company BP – are now on a short list of possible developers of the field, with one likely to be chosen as a main contractor and the other two also participating.

The total reserves in the field are estimated at between 650m-700m tonnes, with recoverable reserves put at over 250m tonnes.

Though the Union ministry is co-ordinating the projects, the Azeri authorities are being allowed a relatively wide degree of latitude to determine the contracts, according to western oil companies.

One recent sign of liberalisation is a report that the enterprises in Tyumen, the Soviet Union's largest oil producing region in Siberia, are to be allowed to trade 1m barrels of oil through a commodity exchange opened by the enterprises in Moscow.

Mr Valery Neverov of the commodity exchange council said that brokers' seats were being sold for Rs500,000 for Soviet participants and Rs100,000 for foreign participants, until the end of August.

An initial test sale at the end of last month saw 6,000 tonnes of oil sold at between Rs175-345 a tonne.

Mr Eugene Khartukov, head of the World Energy Analysis and Forecasting Group in Moscow, told a conference in Singapore that the Soviet Union would be a net importer of oil by 1996.

He said that unless radical market reforms were continued and foreign oil companies encouraged to co-operate with Soviet producers, the production levels of last year at 11.5m barrels per day (bpd) would decline by the end of the century to 9m bpd. At the same time, the present level of domestic consumption at 8.5m bpd would rise to 11m bpd.

Mr Khartukov said that a free economy and an influx of western investment would lead to an output of 12m bpd by the year 2000. However, on the more likely forecast of slow reform, production would fall slowly to 10m bpd by the end of the century.

"The oil producing fields are badly watered and depleted and at least one third of the oil pipelines need replacing. But who really cares when there is not the slightest stimulus to work – let alone work better – and ever-worsening living and working conditions tempt the oil workers to go on strike."

Exxon, the large US oil company, said yesterday it had found oil in the Gulf of Mexico, writes Deborah Hargreaves. The discovery was potentially significant.

Chilean miners want copper-bottomed deal

Lesley Crawford in Santiago on the critical labour issue facing Aylwin's government

CHILE's powerful Copper Workers Confederation (CTC) will be pressing for large wage increases and the restitution of privileges lost under military rule when pay talks begin with the state copper corporation Codelco this week.

Negotiation on new two-year contracts for Codelco's 26,000 employees is by far the most critical labour issue facing Chile's year-old civilian government. Since democracy was restored in March 1990, copper workers have won back the right to collective bargaining and the right to strike at Chuquicamata, the world's largest copper mine. After Gen Augusto Pinochet's 16-year dictatorship, the unions are bristling to test their strength.

The talks kick off on May 16, when Chuquicamata's 9,000 workers lodge their pay claim. Mr Max Pizarro, a union leader at the mine, says the negotiations will be "complicated and very tough." The miners are seeking a real wage increase of over 15 per cent for the next two years. This is expected to form the benchmark for negotiations at Codelco's three other mining divisions – Andina, Salvador and El Teniente.

In addition, the unions have a long shopping list of demands: they want wages to be adjusted monthly in line with inflation (a perk lost under military rule), 25-day vacations, a uniform productivity bonus for all miners, and they want Codelco to set aside 5 per cent of its profits (which topped $1.53bn last year) to build more houses for employees. They are also urging Codelco to absorb some 16,000 contract workers into the company payroll.

Rising tensions over the forthcoming pay talks have been compounded by poor labour relations and pit accidents which have claimed the lives of nine miners this year – seven in Chuquicamata alone. Workers are unhappy with safety at the mines, and Mr Pizarro says that the accidents have created a climate of distrust.

Mr Maximo Pacheco, Codelco's operations vice-president, says the company is investing millions of dollars to improve safety at work, maintenance and environmental standards. But there is one union demand on which the company will not budge: the miners want Codelco to purge managers who were appointed under Gen Pinochet's rule, and have staged go-slows in Chuquicamata and El Teniente to protest against their "authoritarian" practices. Mr Pacheco says there will be no political witch-hunt inside Codelco. Managers are assessed on their technical abilities alone.

Codelco has until the end of May to reply to CTC's pay claim. Negotiations will begin in earnest in June, when both sides meet to hammer out the new two-year contracts. And for the first time ever, miners will have the right to vote on Codelco's final offer in a secret ballot.

Codelco's executives, appointed by President Patricio Aylwin, are confident that their first pay negotiations will not lead to strikes. "There is a new climate of understanding in the country and a will to avoid confrontation," says Mr Pacheco. He points out that Codelco's miners are the best paid in the country. Wages average $440 per month, and a host of bonuses and incentives top up earnings with another $300.

But Codelco, which produces about 20 per cent of the world's copper (1.20m tonnes last year), is caught between the need to avoid a damaging pay conflict and the struggle to raise productivity at its overmanned and ageing mines.

Lay-offs are out of the question – the idea was tentatively mooted last year by Mr Alejandro Noemi, Codelco's president, and immediately shot down by the 19,500-strong Copper Workers Federation. The company's early retirement scheme has not even begun to scratch the surface of the problem.

Mr Pacheco says productivity will only rise with big capital outlays to upgrade machinery and environmental standards. The company recently signed a $62m-contract with Mitsubishi to build a new acid plant at Chuquicamata which will reduce the smelter's arsenic and sulphur dioxide emissions. Vast sums are also needed at El Teniente to allow the world's biggest underground mine to continue boring into the brittle primary rock that contains most of the remaining reserves.

Part of El Teniente was shut down last year after a series of rock bursts killed eight workers. The section was reopened in April, but it will need reinforced steel arcs and cement injections to keep the tunnels safe.

The need for more investment is pitting Codelco's executives against the government. Since the state company's creation in 1976, all of its profits have been pocketed by the Treasury. The transfers account for about a quarter of the government's income, and the Finance Ministry is reluctant to part with a single peso.

Codelco's annual investment budget of about $280m is drawn from its depreciation reserves, and according to Mr Pacheco, is barely enough to keep the four divisions ticking over. He estimates that Codelco needs to invest between $350m and $450m a year to arrest declining production and to clean up the industry.

Extra sums will be needed if Codelco is allowed to enter into joint ventures with private sector companies to develop new mines. Codelco owns about 30 per cent of the mining property in Chile, but only a fraction of this is being exploited. Mr Pacheco hopes that a new law authorising Codelco to seek mining partners will be in the statute books before the end of the year.

Canadian gas project approved

By Bernard Simon in Toronto

CANADA'S National Energy Board has given the final go-ahead for construction of a C$2.4bn ($2.1bn) project to supply Alberta natural gas to power utilities, consumers and industries in eastern Canada and the north-east US.

As part of the project, which is Canada's biggest gas export scheme, the NEB also approved 15 licences for the export of 1.6 trillion cubic feet of gas to the US for the Iroquois Gas Transmission System.

The project involves construction of 1,590km of pipeline and 21 new compressor units on the Canadian side of the border, as well as a pipeline network as far south as Long Island in the US.

TransCanada PipeLines of Calgary, which operates the Canadian pipeline and is a 29 per cent shareholder in the Iroquois consortium, has already completed one section of the project in northern Ontario, and construction of the US portion is well advanced.

The first deliveries of gas to the Iroquois system are scheduled for this November. If all goes well, volumes will pick up from 50m cubic ft a day in November to 237m next January and the full 576m in November 1992.

In its report, which is the culmination of a two-and-a-half year regulatory process, the NEB acknowledged that the north-east US gas market is a highly competitive one, and that the long-term size of it is uncertain.

However, it concluded that if there is a risk in demand projections, it is probably on the upside.

The board concluded that "contracts have been signed and commercial agreements made which indicate a market for gas and a role for Canadian supplies at least over the periods of the contracts underpinning the expansion." The contracts generally extend for 15 years.

The growing popularity of natural gas is reflected in a proposal announced late last week by the New York Power Authority to build a 150,000 kilowatt gas-fired power station to supply electricity to Long Island. The plant will also be able to use distillate oil as fuel.

Moves to unified white sugar market in Europe

By David Blackwell

THE IDEA of a unified white sugar market for Europe took a step towards becoming reality with the announcement earlier this week that the London and Paris markets were talking about the possibility of merging.

The directors of France's Matif, where white sugar is traded by open outcry, have not made any secret of their belief that there is room for only one viable market in Europe. Matif lost much of its business to the London Futures and Options Exchange (Fox), which successfully relaunched a white sugar contract in 1987.

The Fox contract is traded on its screen system, which has the advantage of much lower overheads than a pit trading system. The London trade business which had been forced to go to Paris rapidly switched back to the capital, and the Fox market now provides the benchmark price for white sugar.

However, it remains a small market, trading an average of 1,000 to 1,500 lots (50 tonnes each) a day, compared with 800 to 900 lots a day in Paris.

Fox launched its white sugar contract while the raw sugar contract was still trading through open outcry. However, early this year Fox put the raw sugar contract onto screen trading after volumes had fallen dramatically.

The International Sugar Organisation yesterday raised its estimate for the 1990-91 world sugar surplus to 3.69m tonnes, compared with a previous estimate of 2.06m tonnes. "The scale of the surplus has changed quite dramatically," the ISO said. "Production in Thailand, China, India and Mexico has turned out to be significantly higher than anticipated. At the same time demand has remained stubbornly flat."

The benchmark price for raw sugar is taken from the New York market, where volumes are large, attracting speculative money. One of the reasons for mooting a unified white sugar market in Europe is the fear that New York might revivify its own white sugar contract, which barely trades.

Fox stresses that talks are at a very early stage, pointing out that there are all sorts of legal and regulatory hurdles which would have to be overcome. While a unified market would be more likely to use screen trading, even this has not been decided yet.

However Mr Jon Payne, marketing director at Fox, is convinced the merger "has got to come". He points out that Europe, a big exporter of white sugar, is now the centre of the world trade in physical sugar

Pakistan's farm incentives

By Farhan Bokhari in Islamabad

PAKISTAN'S government yesterday announced fresh incentives to boost production in the economically significant agricultural sector.

Agricultural income for Pakistan accounts for almost 70 per cent of export revenues and 26 per cent of gross domestic product, while 51 per cent of the labour force is employed in the sector.

Import duties are to be removed on equipment for dairy and poultry farms. Among other incentives, new poultry and fish farms were exempted from paying income tax for a period of eight years, and the government also promised to take steps for introducing the use of cheaper pesticides.

The new policy came as the first major step to boost agricultural production since the government of Prime Minister Mr Nawaz Sharif came to office, November last year. Most of the government's previous initiatives have focused on privatisation and elimination of government controls over state-owned industries and banks.

Announcing the policy, agriculture minister Mr Majid Malik told journalists in Islamabad, that Pakistan's success in increasing agricultural production would be crucial in efforts to improve the economy.

"Unless agriculture is given a boost, nothing else works", he said.

But, in response to a question on whether the government would introduce a controversial income tax on income from agricultural farm lands, Mr Malik said that the issue was still being considered by the cabinet.

Under existing laws in Pakistan, such agricultural income is exempt from income tax. Farmers pay a nominal tax on government supplied water and land revenue.

Developmental planners have argued for years that this exemption must be removed and agricultural income should be taxed. They have, however, been opposed by Pakistan's influential land owners.

In recent years, officials have also alleged that some industrialists have bought farm lands to declare their corporate income under the agricultural head, as a way for tax evasion.

Mr Malik said the government was aware of the problem and was trying to block loopholes for tax evasion.

Turkey signs $218m deal with Soviets

TURKEY has signed a $218m agreement with the Soviet Union to export 1.75 m' tonnes of grain, flour and macaroni, Reuter reports from Istanbul.

"The amount is one of the biggest in Turkey's crop exports," a senior agricultural official said.

The deal is backed by Turkish Eximbank loans.

Eximbank officials said the bank was about to release an urgent loan for $18m. Terms for the remaining $200m were still being negotiated.

The 1,080,000 tonnes of wheat, 300,000 tonnes of barley, 352,500 tonnes of wheat flour and 20,000 tonnes of macaroni, will be delivered in stages up to the end of the year.

The Soviet Union has been suffering severe food shortages, caused in part by a poor distribution system – most produce is left to rot in warehouses. It is harvesting a bumper crop of grain this year.

● US farmers planted a higher-than-expected percentage of their 1991 "flexibility acreage" to alternative crops such as soyabeans than had been expected, Agriculture Department officials said.

Under the flexibility provisions of the 1990 Farm Act, farmers in crop programmes do not get subsidies on 15 per cent of their acreage but can plant alternative crops on that land.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,640-1,680 (1,660-1,700).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.65-2.90 (2.60-2.90).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 2.00-2.15 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 14.00-14.35 (13.60-14.00).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 125-135 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.48-2.56 (2.50-2.56).

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 4.80-5.40 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 54-60 (50-60).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 2.40-2.50 (2.50-2.60).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 9.30 (same).

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	+8125	to 370,250
Copper	+11950	to 273,725
Lead	−250	to 74,700
Nickel	+42	to 8,490
Zinc	−650	to 118,825
Tin	−440	to 15,750

WORLD COMMODITIES PRICES

MARKET REPORT

Copper prices fell away sharply in late kerb trading on the LME yesterday, unable to sustain an earlier technical bounce. Sterling prices ended at two month lows. Dealers said the virtual end of the squeeze which has been holding the market at artificially high levels, coupled with a fresh rise in LME stocks, exerted severe downside pressure. The downtrend was only briefly halted by early afternoon news that miners at the Rudna pit in Poland, the country's largest, had gone on strike. Much of Poland's output is for export to the West, notably to Germany. By midday Comex copper prices were down on scattered commission house selling. Nickel prices fell below $8,500 a tonne, triggering sell stops. The 42-tonne rise in LME stocks to a fresh 10-month high of 8,490 tonnes, although expected, underlined recent bearish sentiment, dealers said. London cocoa prices regained some for Monday's losses, leaving traders divided over whether a recovery was starting. "Nothing tells me the decline is finished yet," one trader said, but added that the market was so oversold a small bounce was feasible. Others said buyers might return if the second position held above £600 a tonne for a few days.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.75-5.85u	-.075
Brent Blend (dated)	$18.75-8.80	-0.35
Brent Blend (Jul)	$19.25-9.35	-.075
W.T.I. (1 pm est)	$20.83-0.88u	-.295
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$244-246	-1
Gas Oil	$180-181	
Heavy Fuel Oil	$98-99	
Naphtha	$200-202	-4
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$357.8	+0.55
Silver (per troy oz)♣	402c	+2.5
Platinum (per troy oz)	$390.25	+0.70
Palladium (per troy oz)	$94.25	-0.50
Aluminium (free market)	$1325	+40
Copper (US Producer)	105c	-2
Lead (US Producer)	34c	
Nickel (free market)	394c	-8
Tin (Kuala Lumpur market)	15.40r	+0.02
Tin (New York)	268c	+1
Zinc (US Prime Western)	62c	
Cattle (live weight)†	111.82p	+1.09*
Sheep (dead weight)†	191.37p	-24.6*
Pigs (live weight)†	83.32p	+2.13*
London daily sugar (raw)	$200.0q	+2.5
London daily sugar (white)	$265.5q	-0.5
Tate and Lyle export price	£222.5	+0.5
Barley (English feed)	£109v	
Maize (US No. 3 yellow)	Unq.	
Wheat (US Dark Northern)	£97	
Rubber (Jun)▼	53.00p	
Rubber (Jul)▼	53.25p	-0.25
Rubber (KL RSS No 1 Jun)	225.0m	
Coconut oil (Philippines)§	$345x	
Palm Oil (Malaysian)§	$340t	
Copra (Philippines)§	$227.5v	
Soyabeans (US)	£159.5	
Cotton "A" index	83.55c	+0.40
Wooltops (64s Super)	372p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-May/Jun t-Jun/Sep u-Jul v-Jul/Aug. x-Jun/Jul. †Meat Commission average fatstock prices. * change from a week ago. ▼London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Aug	169.80	170.20	170.00	167.00
Oct	167.80	169.80	169.80	165.00
Dec	169.00		169.00	
Mar	169.20	171.60	171.40	169.00
May	169.00		170.60	170.60
Aug	169.00		170.00	
White	**Close**	**Previous**	**High/Low**	
Aug	270.5	271.5	271.5	269.0
Oct	243.0	242.9	242.1	241.8
Dec	245.0		243.8	242.0
Mar	245.0		245.8	244.0
May	252.5		250.0	246.0
Aug	242.3			

Turnover: Raw 280 (328) lots of 50 tonnes. White 626 (868). Paris- White (FFr per tonne):May 1991: Aug 1557, Oct 1400.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low	
Jun	19.05	19.29	19.30	19.02
Jul	19.30	19.39	19.38	19.23
Aug	19.48	19.54	19.68	19.40
Sep	19.55	19.70	19.65	19.48
Oct	19.63	19.75	19.63	
IPE Index	19.42	19.73	19.42	

Turnover 5564 (21124)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Jun	175.25	175.25	176.50	174.50
Jul	172.50	173.50	172.50	171.00
Aug	174.25	175.25	174.25	173.00
Sep	177.00	177.50	177.00	174.00
Oct	178.75	180.00	179.25	177.00
Nov	180.50	182.00	181.00	179.50
Dec	181.75	182.50	181.75	179.00
Jan	179.50	180.25	178.50	177.50
Feb	178.00		178.50	

Turnover 7680 (5733) lots of 100 tonnes

JUTE

May/June c and f Dundee BTC $485, BWC $510, BTD $460, BWD $480; c and f Antwerp BTC $470, BWC $470, BTD $445, BWD $440.

COTTON

Liverpool- Spot and shipment sales for the week ending May 10 amounted to 135 tonnes against 250 tonnes in the previous week. Quiet trading persisted with sales mainly in Turkish, West African and Israeli growths.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
May	586	583	589	582
Jul	613	607	613	604
Sep	641	634	642	632
Dec	675	665	676	667
Mar	706	699	706	700
May	729	721	730	723
Jul	750	743	753	745

Turnover: 5365 (3533) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for May 13 779.11 (795.46) 10 day average for May 14 803.70 (808.54)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
May	532	532	533	530
Jul	559	560	562	557
Sep	582	583	585	580
Nov	604	605	606	602
Jan	623	623	626	623
Mar	641	641	644	638

Turnover:2334 (3395) lots of 5 tonnes

ICO indicator prices (US cents per pound) for May 13: Comp. daily 87.95 (88.35). 15 day average 88.55 (88.74)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low	
May	133.8	132.3	134.0	133.0
Apr	138.2	133.5	135.4	134.0

Turnover 182 (150) lots of 40 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low	
Jun	124.00	126.50	124.00	
Aug	125.00	127.70	126.00	125.00

Turnover 62 (39) lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low	
May	1526	1549	1540	1525
Jun	1511	1554	1530	1505
Jul	1340	1370	1360	1340
Oct	1436	1473	1455	1435
Jan	1448	1466	1450	
BFI	1639	1638	1639	

Turnover 246 (184)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low	
Jun	128.55	128.25	128.00	128.40
Sep	111.10	111.10	111.10	
Nov	114.05	114.15	114.10	114.00
Jan	117.15	117.15	117.10	
Mar	120.10		120.10	
May	123.30		123.35	
Barley	**Close**	**Previous**	**High/Low**	
Sep	119.75		119.00	
Nov	107.60	107.95	107.95	

Turnover: Wheat 216 (116), Barley 3 (101). Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Jun	121.3		122.5	121.9
Aug	117.5		118.0	117.1
Oct	115.0		115.5	

Turnover:42 (101) lots of 3,250 kg

MGMI – London FOX

	Close	Prev.	High	Low	Vol
Inde	143.45	143.85			
Jun	141.60	142.50	142.00	141.80	81
Jul	142.50	142.30	142.50	142.00	75
Sep	142.60	143.00	142.90	142.60	40
Dec	143.10	143.20	143.00	142.60	60
Mar	143.40	143.60	143.00	142.60	35
Jun	143.60	143.50	143.60	143.60	15

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 33,638 lots
Cash	1306-8	1282-4		1321-2		
3 months	1335-6	1313-4	1355/1295	1349-50	1333-4	73,613 lots
Copper, Grade A (£ per tonne)						Total daily turnover 35,919 lots
Cash	1343-5	1442-4	1365/1227	1350-5		
3 months	1308-9	1345-7	1318/1298	1310-1	1285-7	114,325 lots
Lead (£ per tonne)						Total daily turnover 3,040 lots
Cash	315-6	311-2	316/313	313-3.5		
3 months	328.75-9	324-4.5	330/325	327.5-8.5	328-9	14,504 lots
Nickel ($ per tonne)						Total daily turnover 3,075 lots
Cash	8436-45	8555-65		8475-90		
3 months	8465-70	8570-5	8600/8460	8505-10	8480-5	10,301 lots
Tin ($ per tonne)						Total daily turnover 1,797 lots
Cash	5730-40	5730-5		5725-35		
3 months	5810-20	5805-10	5830/5790	5805-8	5810-20	16,869 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 5,394 lots
Cash	1079-80	1076-7	1078/1073	1073-4		
3 months	1092-3	1090-1	1093/1077	1087-9	1087-8	28,534 lots

LME Closing £/$ rate:
SPOT: 1.7385 3 months: 1.7132 6 months: 1.6940 9 months: 1.6794

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent	
Close	357.60-358.00		
Opening	357.75-358.25		
Morning fix	358.00	206.709	
Afternoon fix	357.95	207.027	
Day's high	358.40-358.80		
Day's low	358.60-357.00		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	5.19	6 months	5.14
2 months	5.16	12 months	5.11
3 months	5.16		

Silver fix	p/fine oz	US cts equiv
Spot	231.50	400.25
3 months	238.05	406.05
6 months	244.35	412.25
12 months	256.40	425.40

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	358.00-359.00	207.00-207.50
Maple leaf	366.00-366.50	211.60-212.00
New Sovereign	85.50-86.50	49.50-50.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1200	131	152	2	7
1300	51	77	21	31
1400	11	31	80	82
Copper (Grade A)	**Calls**		**Puts**	
2150	131	142	21	53
2250	68	88	57	97
2350	29	51	117	157
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
500	5	19	46	37
550	1	7	92	75
600		3	141	121
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
600	24	58	12	16
650	5	28	43	16
700	1	13	89	73
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
1950			67	
2000	35			
2050				

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
May	360.1	358.6	0	0
Jun	361.2	359.6	361.6	358.0
Jul	363.0	361.6	0	0
Aug	363.9	362.5	364.3	361.0
Oct	366.9	365.5	367.3	364.2
Dec	370.0	368.6	370.2	367.4
Feb	373.2	371.8	372.0	371.5
Apr	376.2	374.8	374.5	374.1
Jun	379.6	378.2	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	393.5	393.2	395.0	392.5
Oct	397.6	397.3	398.5	397.0
Jan	401.6	401.2	402.2	401.0
Apr	405.2	405.2	405.0	405.0
Jul	409.2	409.2	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
May	404.5	398.9	405.5	396.5
Jun	405.2	399.7	399.0	399.0
Jul	407.8	402.3	408.0	399.5
Sep	412.7	407.0	413.0	405.0
Dec	419.6	413.8	420.0	413.5
Jan	421.7	415.9	0	0
Mar	427.2	421.3	427.5	418.5
May	432.5	426.5	426.0	426.0
Jul	437.8	431.7	432.0	432.0
Sep	443.8	437.4	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	99.25	100.70	101.70	98.10
Jun	98.55	100.10	100.80	98.50
Jul	97.50	99.25	0	97.40
Aug	97.40	99.05	98.00	98.00
Sep	97.00	98.85	99.35	97.00
Oct	98.80	98.70	99.00	97.90
Nov	96.60	98.50	98.15	98.15
Dec	96.40	98.35	98.60	98.50
Jan	96.10	97.95	98.00	98.00
Feb	95.85	97.55	97.70	97.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jun	20.71	20.91	21.05	20.63
Jul	20.82	20.96	21.16	20.77
Aug	20.87	20.96	21.17	20.82
Sep	20.90	20.97	21.15	20.90
Oct	20.92	20.96	21.14	20.91
Nov	20.92	20.95	21.10	20.91
Dec	20.90	20.94	21.10	20.90
Jan	20.85	20.88	21.07	20.88
Feb	20.90	20.82	20.98	20.82

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Jun	5445	5453	5530	5435
Jul	5520	5540	5606	5510
Aug	5620	5634	5685	5610
Sep	5760	5789	5830	5760
Oct	5870	5904	5905	5865
Nov	5970	6006	6000	5970
Dec	6050	6100	6100	6050
Jan	6080	6110	6100	6070
Feb	6015	6000	6015	5970
Mar	5730	5780	5760	5730

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
May	969	961	975	965
Jul	1000	992	1004	988
Sep	1029	1019	1031	1017
Dec	1070	1062	1072	1060
Mar	1111	1102	1107	1105
May	1139	1130	1137	1137
Jul	1162	1158	0	0
Sep	1187	1180	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
May	88.15	87.10	87.40	86.75
Jul	89.20	88.55	89.30	87.90
Sep	91.20	90.65	91.50	90.25
Dec	94.35	93.90	94.70	93.50
Mar	97.45	96.90	97.35	97.35
May	99.15	98.65	0	0
Jul	101.25	101.00	0	0
Sep	103.15	103.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	7.75	7.87	7.79	7.69
Oct	7.55	7.64	7.61	7.48
Mar	7.67	7.77	7.71	7.57
May	7.77	7.85	7.78	7.69
Jul	7.88	7.96	7.88	7.85
Oct	8.05	8.12	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	90.33	88.63	90.40	89.00
Oct	81.17	79.17	81.17	79.70
Dec	74.19	72.84	74.30	73.40
Mar	74.98	73.63	75.00	74.20
May	75.18	74.03	75.18	74.48
Jul	75.39	74.30	75.38	74.80

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
May	118.75	118.20	118.75	117.80
Jul	118.30	117.40	118.30	117.10
Sep	119.15	118.20	119.20	118.00
Nov	118.60	118.25	118.00	118.00

INDICES

REUTERS (Base: September 18 1931 = 100)

May 14	May 13	mnth ago	yr ago
1717.8	1723.5	1727.3	1906.5

DOW JONES (Base: Dec. 31 1974 = 100)

	May 13	May 11	mnth ago	yr ago
Spot	128.10	128.40	128.27	135.42
Futures	126.41	128.90	128.98	133.51

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
May	563/0	565/2	564/0	559/0
Jul	570/6	572/6	573/0	567/4
Aug	575/4	578/0	578/0	572/0
Sep	575/4	579/2	578/4	573/0
Nov	583/4	586/6	586/4	579/0
Jan	595/6	599/0	597/0	591/0
Mar	606/6	609/2	608/0	603/0
May	616/0	619/4	617/0	613/4

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
May	19.72	20.00	19.92	19.65
Jul	19.91	20.17	20.16	19.85
Aug	20.10	20.34	20.32	20.05
Sep	20.28	20.49	20.48	20.24
Oct	20.44	20.65	20.68	20.38
Dec	20.80	21.01	21.00	20.70
Jan	20.98	21.15	21.15	20.85
Mar	21.26	21.48	21.26	21.22

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
May	168.5	169.5	169.7	168.5
Jul	171.4	171.3	171.7	170.3
Aug	172.6	172.4	173.0	171.5
Sep	173.7	173.7	174.2	172.8
Oct	174.4	174.7	174.8	173.5
Dec	176.7	177.5	177.5	176.1
Jan	177.1	178.0	178.0	177.0
Mar	179.0	1180.0	180.0	179.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
May	240/0	237/2	240/0	236/4
Jul	247/2	245/2	247/4	244/0
Sep	247/0	244/4	247/0	243/6
Dec	247/0	244/6	247/0	244/2
Mar	254/4	252/2	254/4	251/4
May	258/4	256/0	258/4	256/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
May	286/0	288/0	288/0	285/4
Jul	293/2	295/2	296/0	292/0
Sep	301/2	304/2	304/0	300/6
Dec	314/2	316/6	316/2	313/4
Mar	321/6	326/0	328/2	321/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	76.10	75.25	76.30	75.05
Aug	73.20	73.27	73.62	73.15
Oct	74.80	74.97	75.12	74.77
Dec	75.26	75.35	75.47	75.22
Feb	74.97	75.00	75.10	74.92
Apr	75.65	75.62	75.80	75.65

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Jun	57.90	58.00	58.20	57.60
Jul	56.22	56.70	56.85	55.90
Aug	53.17	53.22	53.50	52.75
Oct	48.05	48.17	48.37	47.85
Dec	47.70	47.88	48.20	47.70
Feb	47.60	47.90	47.96	47.50
Apr	45.80	46.15	46.05	45.70

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
May	60.75	61.27	61.58	60.00
Jul	57.75	58.37	58.82	56.65
Aug	54.65	55.12	55.80	53.60
Feb	56.80	57.15	56.85	56.10
Mar	56.80	57.00	0	56.10

FINANCIAL TIMES SURVEY

NORWAY

■ Economy in good shape despite worries on unemployment Page 2

■ Oil and gas: where prospects couldn't be better Page 4

Wednesday May 15 1991

Norway's relations with western Europe now dominate its political and economic life. Mrs Brundtland, the prime minister, believes it will be a long haul to convince her countrymen that their future lies inside an expanded Community, writes **Robert Taylor**

On edge over Europe links

Prime minister Brundtland (left) and a key rival, the Conservative leader Kaci Kullmann Five

NORWAY this spring seems paralysed by indecision over its future relations with western Europe. With its neighbour Sweden about to send off a membership application to join the European Community and the probability that the current EC-Efta negotiations on a European Economic Area will produce at best only a feeble agreement, the country remains unsure of what it should do, with signs of growing organised opposition to any suggestion that Norway should become an EC member.

The timetable for European integration is going too fast for the comfort of most Norwegians. Many are full of gloom about the prospects, afraid that any national debate over joining the EC will revive all the old bitterness and conflict that scarred the country's referendum on the subject 19 years ago. At this month's May 1 Labour rallies many people brandished "No to the EC" posters, showing that emotions remain high in Norway on the issue – to the alarm of leading members of the Norwegian minority Labour government.

The rest of Europe may have experienced tumultuous change since the summer of 1989 but memories in Norway still seem fixed firmly on the trauma of 1972 with most people agreeing there must be no repetition of that painful time which led to rejection of membership of the Community.

Unfortunately for Norway, it will be difficult to avoid fresh convulsions over the EC. The country is going to be forced – perhaps sooner rather than later – to take a view on whether or not to apply for membership. To Mrs Gro Harlem Brundtland, the Labour prime minister, the political dilemma is acute though it is not sufficiently recognised as such outside Norway.

Her minority government came to power only last November when the non-Socialist coalition which had been formed just over a year earlier after the indecisive September 1989 general election collapsed. With only 63 seats in the 165-strong parliament, the Labour party relies on the support of others to stay in office. Yet, under the constitution the government cannot call a new general election. The present parliament has to remain in being until September 1993.

Mrs Brundtland is known personally as a strong supporter of EC membership but she does not want to have to make her intentions clear on the question for the time being.

The prime minister repeatedly says the Labour party will make up its mind at its next conference in November 1992. A discussion document on the subject is to be published this autumn for debate by party members in the run-up to the conference. The leadership will make its position clear then, but Mrs Brundtland's step-by-step strategy is designed to keep the party together as long as possible.

Nevertheless, the Labour party leadership might speed up the timetable. On June 21-22, when the governing council is due to meet, party members may try to force the EC question onto the agenda. They could demand the calling of a special party conference to decide on the EC and under Labour's rules this could be held after six months. Much depends on how the discussions go in the next few weeks between the EC and Efta.

Mrs Brundtland made it clear in her own May Day speech that it was inconceivable that Norway could remain outside the EC if both Sweden and Finland joined. But for the moment she still hopes a strong EEA agreement can be reached which will at least provide some breathing space.

Indeed, the Norwegian government believes there is no real need for haste. Ministers have been told by Brussels that negotiations on the inclusion of new member states in the EC are unlikely to start until early 1993 so there is plenty of time for Norway to prepare itself alongside the other Nordic states who want to join EC. moreover, it is often forgotten that the preliminary work on the country's EC membership was done 20 years ago when Norway first applied.

Mrs Brundtland and her colleagues believe it will be a long haul to convince the majority of Norwegians that their future lies inside an expanded Community. That attitude may seem ultra-cautious but it reflects an awareness of public opinion. "Apparently 430m people inside the EC are wrong about it and 4m Norwegians are right," says Mrs Five, the Conservative leader.

Feelings among many Norwegians about the EC still seem deep and divided. "It is no good telling people here that we should join the EC because other European countries want to do the same. We have to find strong Norwegian reasons why we should do so," explains one sceptic.

That will not be easy. Both history and geography provide strong arguments for the anti-EC forces. "We were dominated by the Danes from 1389 until 1814 and then by the Swedes until 1905. You must never forget many of our people have a colonist's attitude to the outside world," says Professor Henry Valen at Oslo's Institute for Social Research.

The EC is still seen as much more of a threat to Norway than an opportunity. Worries about rich Germans buying up Norwegian summer homes are not confined to the lunatic fringe. The Nazi occupation may have ended over 45 years ago, but it was only in 1989 that German troops began to take part in Nato exercises on Norwegian territory.

Moreover, as a country on the very edge of northern Europe Norway naturally looks outward towards the Atlantic, not south to continental Europe. Its insularity and isolation remain formidable. It is still a young nation whose sovereignty and independence are fiercely defended.

What those who want Norway to join the EC have to avoid is any suggestion that the country has no real choice to make. The pro-EC campaigners in 1972 warned that if Norway did not join the EC it would be devastating for the economy and destroy people's living standards. In fact, the opposite happened.

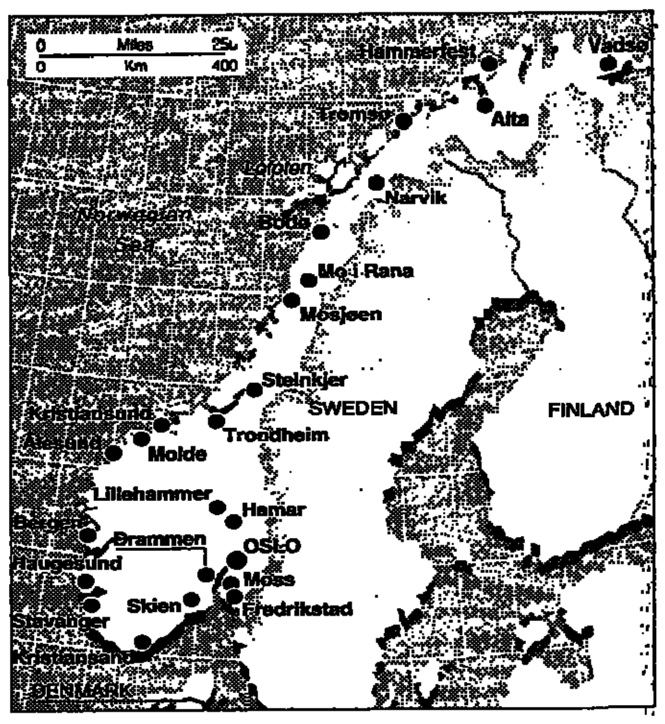
Oil and gas revenues after the mid 1970s heralded a new era of unprecedented prosperity for Norway as it became one of the two largest energy suppliers in western Europe. The realisation that Norway could get along quite well on its own strengthened the anti-EC position.

Yet, whether people are aware of it or not, Norway is moving inexorably closer to the rest of western Europe under the pressure of the country's increasing internationalisation. The most obvious public sign of this has been the financial liberalisation which culminated in the abolition of foreign exchange controls in the summer of 1990.

Last November Norway took another important step towards an integrated capital market for western Europe when it was decided – with little fuss – to peg the krone to the European currency unit, the Ecu. Mr Hermod Skanland, governor of Norway's Central Bank, says that the country intends to go further and link the currency to the exchange rate mechanism of the European Monetary System.

The policy-makers accept Norway cannot cut itself off from the rest of Europe and that its freedom of action is already severely limited by its international obligations. But they also recognise they must argue and persuade most Norwegians to accept the desirability of EC membership. It will not be easy.

Norway remains in a troubled, peculiar mood at the moment. "There are more people with open minds than closed ones now over the EC," said one of Mrs Brundtland's senior advisers. But nothing can be left to chance. The sooner the arguments for the EC are deployed in the national debate, the better. Otherwise those stubborn forces of history and geography will ensure that Norway remains aloof from the process of European integration.



KEY FACTS

Area .... 386,958 sq km
Population .... 4.25 million (1990 estimate)
Average Exchange Rate ...... 1989 \$1 = NKr6.90 1990 \$1 = Nkr6.26

ECONOMY	1989	1990
Total GDP (\$bn)	90.9	106.8
Real GDP growth (%)	1.2	1.8
GDP per capita (\$)	21,488	25,135
Components of GDP (%)		
Private Consumption	50.3	50.8
Gross Fixed Investment	27.2	18.9
Stockbuilding	-2.5	2.1
Government Consumption	20.9	20.8
Exports	41.8	43.7
Imports	-37.6	-36.3
Consumer prices (% change pa)	4.6	4.1
Unemployment (% of lab force)	4.9	5.4
Reserves minus gold (\$bn)	13.8	15.3
Discount rate (% pa, year end)	11.0	10.5
Oslo SE Industry index (% change over year)	+46.8	-1.4
Current account balance (\$bn)	0.2	3.4
Exports (\$bn)	27.2	23.2
Imports (\$bn)	23.4	18.6
Trade Balance (\$bn)	3.8	4.6
Main Trading Partners 1989, % by value	Exports	Imports
UK	26.8	8.7
Sweden	12.4	18.1
West Germany	12.1	14.4
US	6.8	11.8
EC	65.2	48.1
Efta	16.2	24.5

Source: IMF, Datastream, Economist Intelligence Unit.

NORWAY'S ECONOMY looks in better shape than most in western Europe this spring. "There are grounds for optimism," says Mr Terje Osmundsen, vice-president of the employers' organisation, NHO. "People are working harder, saving more and spending less. Norwegians are showing common sense."

Even the cautious Central Bank governor Hermod Skanland takes a relatively cheerful view of today's economic prospects. "We have had a fair amount of success in maintaining the balance in the economy," he says. The Finance Ministry *view is that "much of the economy is now* going in the right direction."

Last year, the rise in Norway's gross national product (including oil and gas) was 1.8 per cent. This year's growth rate is expected to come out at 2.3 per cent – one of the best performances in the western world – rising to 2.5 per cent in 1992.

There was a substantial current account balance of NKr27.9bn that totalled 4 per cent of the country's gross domestic product in 1990. This year the balance is forecast to rise to NKr36bn and in 1992 fall slightly to NKr34.8bn.

The country's competitive position has improved. Between 1980 and 1988 there was a 12 per cent deterioration in competitiveness but over the next two years over half was recovered due to productivity improvements mainly caused by a shakeout of *labour in manufacturing.*

In 1990 prices rose by 4.1 per cent. Forecasts suggest this year's price rises will average under 4 per cent. This is the best inflation performance since 1969.

The main worry is unemployment, reports Robert Taylor

Economy moving 'in right direction'

Average annual wage rises have been modest with a 5 per cent growth last year though this covers a diversity of settlements from over 7 per cent in export-oriented industries and retail to less than 3 per cent in the construction sector. In 1991 wages are set to grow by about 4 per cent.

The government has maintained a fairly tight fiscal policy with no signs that it is prepared to stimulate the economy in a reckless way though there has some modest easing in the face of rising unemployment and the budget deficit is expected to climb to around NKr11bn this year.

However, there is one black cloud hanging over the economy. Registered unemployment has become a sensitive political issue. In 1990 it averaged 5.2 per cent and it is expected to run at around 4.8 per cent this year and 4.5 per cent in 1992. By western European standards this looks low but it is the worst that Norway has known since the 1930s. Moreover, the total excludes those who are on various train*ing and employment programmes. If they* are counted in, around 7 per cent of the workforce are outside the labour market.

It would be far too optimistic to suggest the economy is set for an untroubled 1990s. Much depends on what happens to the level of energy prices. A quarter of the country's export revenue is derived from its North Sea energy sources.

The visible trade deficit of the mainland economy rose from NKr30bn in 1989 to NKr40bn last year with a likely increase to around NKr50bn in 1991.

The Central Bank is worried about the long-term consequences of lower world oil prices. "Reduced oil dependence will increase the need for curbing public expenditure growth," it says. The OECD warns the government not to "use temporarily higher oil revenues to alleviate short-term economic problems". In its March survey it urges ministers to "stick to the strategy of limiting the economy's oil dependence and expanding mainland industrial sectors."

Wage bargaining: national bargaining at the centre between employer organisations and trade unions may no longer be fashionable in the west but in Norway it *has played a crucial role since 1986 in* reviving the economy by adjusting domestic costs to those of overseas competitors.

The first real signs of success came in 1988 and 1989 when the voluntary wage agreement reached between the LO (National Federation of Trade Unions) and the Confederation of Norwegian Business and Industry (NHO) was backed up with the threat of sanctions through incomes restraint legislation passed by parliament.

The back-up powers provided by law were demanded by the trade unions who wanted to ensure that groups outside the scope of the national agreement could not secure higher wage rises. As a result, pay rises averaged only 6.7 per cent in 1988 and 5.8 per cent in 1989.

Last year the LO was not sorry to see the end of two years of what amounted to a statutory incomes policy. But the return to voluntary national collective bargaining did not detonate a wage explosion. "Our arguments had an impact on our members," says the LO chief economist. "They were aware that pressure for higher wages would have an effect on unemployment."

The modest wage settlements of the past four years have helped to improve Norwe*gian competitiveness. In 1986 unit labour* costs shot up by 11 per cent yet in 1989 they fell by 2 per cent while in 1990 they rose by 2 per cent. It is expected they will increase by a modest 1.5 per cent this year.

In 1989 there was also a strong productivity gain of 6.4 per cent in manufacturing mainly due to a labour shake-out. Norway's international competitiveness improved by as much as 5 per cent as a result though the average level of wages is still more than 20 per cent higher than in its main trading competitors.

Previous incomes policies have been destroyed by wage drift. Though this has not happened to any damaging degree since 1987, the current success *is* rather surprising. Norway's LO with its 36 affiliated unions covers only 60 per cent of the 56 per cent of workers who are unionised. But the basic agreement has determined the pay outcome for the entire workforce.

"The rising level of unemployment undoubtedly helped to dampen expectations," says the LO's chief economist. The LO leaders remain firm believers in the principle of wage equality, but the demand for more flexible local deals is growing stronger among workers and employers *and in 1992 it may prove difficult to negoti*ate pay centrally for a further two years.

However, it seems unlikely that the LO will spearhead any self-destructive pay push offensive. It remains worried about unemployment and what it regards as a lack of urgent response towards the number out of work from the government.

Tax reforms: the package announced last month is due to come into force in January 1992. Based on cross-party guidelines, its aim is to improve the functioning of the economy, while making the tax system *simpler to understand* and administer.

The government proposes to tax ordinary income, including profits and capital, at a new flat rate of 28 per cent. Although corporations pay 50.8 per cent of their profits in tax after deductions, at present there are legal ways of tax avoidance. But as a result of the tightening up of depreciation rules as well as a repeal of tax credit arrangements, the tax base is to be broadened so that in practice the Ministry of Finance argues: "There will be no change in the real tax level for the business sector." *It is also planned to cut the tax on* investment from 7 to 5 per cent and remove the wealth tax on corporations.

The employers do not like much of this and the shipping companies are outraged. At the moment they pay next to nothing in tax and they will be hit by a reduction in the maximum permitted rate of depreciation on ships to 14 per cent.

The reforms will also reduce the highest marginal tax rate from 57.8 per cent to 48.8 per cent while for middle income groups earning NKr135,000-195,000 a year the high*est tax rate* charged will be 35.8 per cent. The Finance Ministry calculates the overall result will be a tax cut of NKr1,700-3,800 a year for most wage-earners, reducing the overall burden by NKr2.4bn.

Robert Taylor profiles Socialist Venstre

Young, green, and populist

THE SOCIALIST Left is Norway's third largest political party at the moment. Under its boyish 36-year-old leader, Erik Solheim, it polled 10.1 per cent of the vote in the September 1989 general election and increased its number of seats in Parliament from six to 17. Today it is recording around 14 per cent support in opinion surveys.

Mrs Brundtland and her colleagues in the minority Labour government regard Socialist Venstre (SV) as an irresponsible party that is incapable of taking unpopular decisions and makes promises it is in no position to deliver. "Our relations with Labour are tense," admits Mr Solheim. "Ministers see us as exploiting discontent among Labour's supporters."

Observers of SV's recent party conference suggest that it has dropped its belief in class politics. Avowedly committed to Marxism, SV has become populist, more green than red in recent years. "The party does not talk about Socialism any more," suggests one seasoned commentator. It campaigns primarily on environmental issues.

"We are using Parliament as a platform to speak to the people," declares Mr Solheim. Instead of denying the populist charge, he argues that is what has widened SV's appeal beyond the sectarian fringe.

His party appears to have found a profitable niche in Norwegian politics as a loose coalition of the left that brings together green idealists with others unhappy about the Labour party's lurch towards the middle ground.

SV is very much a protest movement whose roots are the 1960s generation though it likes to pervade a vigorous, modern image, uncorrupted by the cynicism of conventional politicians.

Unlike other parties to the left of Social Democracy in western Europe, it is also untainted by any identification with Soviet Communism.

Founded in 1961 as the Socialist Popular party, an anti-nuclear neutralist breakaway in protest at Labour's pro-Nato cold war identity, it was not until the early 1970s that it began to make an impact, mainly as a result of its role in the campaign against Norway's EC membership application. In 1975 the present SV emerged through a merger between the Socialist Popular party, elements of the Communist party and independent Socialists as well as another Labour splinter group.

Professor Henry Valen at Oslo's Institute for Social Research believes SV benefited in the 1989 general election from the end of the Cold War. As defence ceased to be a major issue in Norwegian politics, SV has found it easier to find support, he argues.

But as Mr Solheim points out, SV also appeals to elements among the Labour party, especially those who still believe in the collectivist values of solidarity and equality and the welfare state at a time when the cause of the market economy has won converts across the political spectrum. "People say to me you talk like the Labour party used to do," says Mr Solheim.

SV was able to capture considerable support in the 1989 election campaign from former Labour voters with its criticisms of the government's failure to bring down unemployment and its defence of the universalist principles of the welfare state from the frontal assault launched on them by the populist Progress party.

But in fact, SV's appeal is also aimed at the growing elements in what constitutes Norway's post-industrial society. In 1989 its main electoral support derived from the young and middle-aged salariat working in the public service sector who made up 35 per cent of their voting strength compared with the 29 per cent estimated to have come from among manual workers.

In the light of its caring, soft image, as many as 57 per cent of SV's voters were women in 1989. It appears to be stronger among those under the age of 50. A mere 16 per cent of its voting strength in 1989 came from Norwegians over 50. The party secures higher than average backing in the Oslo area, the west and the far north.

Mr Solheim's party has benefited from the realignment of Norwegian politics. More voters no longer identify closely with one party. They may shift their partisan preferences more frequently.

Without the burdens of office, SV is untroubled by the need to compromise. But if the party maintains its momentum in September's local government elections, it may find itself in coalition on some councils with Labour. This will force SV – which has benefited from the mood of discontent with the traditional system – to muddy its hands in the give-and-take of politics.

THE OPPOSITION

The Kaci effect

THE CONSERVATIVES – the main opposition – hope they are now entering a period of genuine and lasting revival after the election of a new young leader last month. Certainly, the 39-year-old Mrs Kaci Kullmann Five is already bringing a breath of fresh air to the party's stuffy image.

Her arrival at the top has worked wonders for the party's poll position. Back in January, only 14 per cent backed the Conservatives, a record low; now the party is securing around 22 per cent support. The so-called Kaci effect appears to have transformed Norwegian politics in just a few weeks.

Mrs Five hopes the Conservatives can improve their position over the next two years so the party will be able to form a minority government after the September 1993 general election. This may be over-ambitious, but it is hard to see any alternative strategy at the moment that the Conservatives could pursue with much zest.

The party has good reasons to avoid any close co-operation with the small Centre and Christian People's parties after its experience last autumn. The three non-socialist parties formed a coalition government under Conservative leader Jan Syse in the aftermath of the indecisive September 1989 general election.

In retrospect, many Conservatives believe the party made a tactical mistake by joining up with the other two. By last autumn the tensions between the Conservatives and the Centre party in particular had reached breaking point over the European issue. The anti-EC Centre leaders opposed any proposed changes in Norway's so-called concession laws that safeguard the country's companies and property from foreign ownership under the EC-Efta negotiations on a European Economic Area.

But the Conservatives, who are the only party in Norway almost unanimously in favour of the country's eventual EC membership, would not bow to Centre pressure on such a key question. At the end of October the Centre party withdrew its support from the coalition and brought it down.

This is the second time in less than five years that the Conservatives have been driven from office in Norway as a result of a loss of support in Parliament. On the first occasion Mr Kare Willoch fell from power after nearly five years as prime minister in April 1986 when his government lost the support of two maverick right-wing MPs from the Progress party who voted against a package of spending cuts and a higher gasoline tax.

Since that debacle the Conservatives have watched with dismay as the Progress party, with its populist mixture of tax-cut promises, attacks on the welfare state and tough law and order policies, began to grow dramatically mainly at their expense. The party lost out in particular among younger male voters who preferred the style of charismatic Progress leader Carl I Hagen to the austere, more intellectual Conservative establishment who seemed to have little appeal outside the richer suburbs of Oslo.

Although the Conservatives and Progress have worked together on some local councils since 1987, the two parties find it hard to co-operate. Many Conservatives despise Mr Hagen's radical right party for what they see as its vulgarity. Others feared that Progress had seized the intellectual initiative, making them look timid and compromised.

Nor did the Conservatives improve their position by having three leaders in less than four years. In the general election nearly two years ago their share of the vote fell to 22.2 per cent with 37 seats in the 165-strong parliament from a 1985 figure of 30.4 per cent and 50 seats. The main gains on the right went to Progress whose electoral support climbed to 13 per cent and from two to 22 seats.

Now under Mrs Five, the Conservatives believe they can restore themselves quickly. The dramatic improvement in its public opinion ratings suggests the party is bouncing back but sceptics question just how deep this new-found popularity really is. "The Kaci effect could last two months or two years," says one commentator. "But the party should not count on it indefinitely."

In a recent TV debate with the prime minister, Mrs Five founded herself being harangued by Mrs Brundtland as if she was an errant schoolgirl for suggesting the government ought to make up its mind sooner rather than later on the need for Norway to apply to join the EC.

In her inauguration speech as leader at the party conference in Trondheim last month, Mrs Five was keen to identify the Conservatives with the European cause. She was a pro-EC enthusiast as a student at Oslo University during the 1972 referendum campaign and remembers the bitterness that divided the country. Now she would like to force the issue to the forefront of the political scene though this will widen even further the gap between the Conservatives and their *former* coalition partners, the Centre and Christian People's.

At the same time many Conservatives have no desire to reach any close understanding with Mr Hagen's Progress. Mrs Five gives the strong impression that her party sees itself as an alternative to Labour as a single party minority government. The corroding compromises of the Willoch-Syse years may be over.

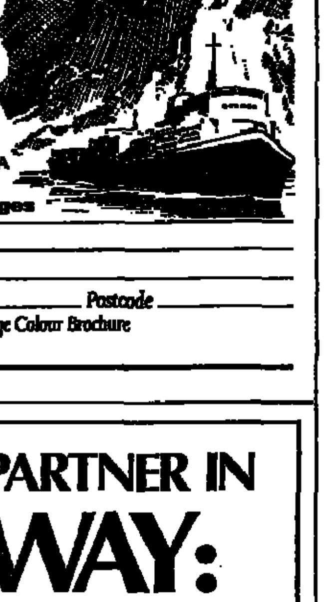
There is no doubting Mrs Five's appeal as an intelligent and vivacious mother of two. But whether she has the necessary steel and stamina to take on the bruising task of confronting the wily Mrs Brundtland must still remain questionable. As Britain's John Major has discovered, being a nice man may not be enough in politics.

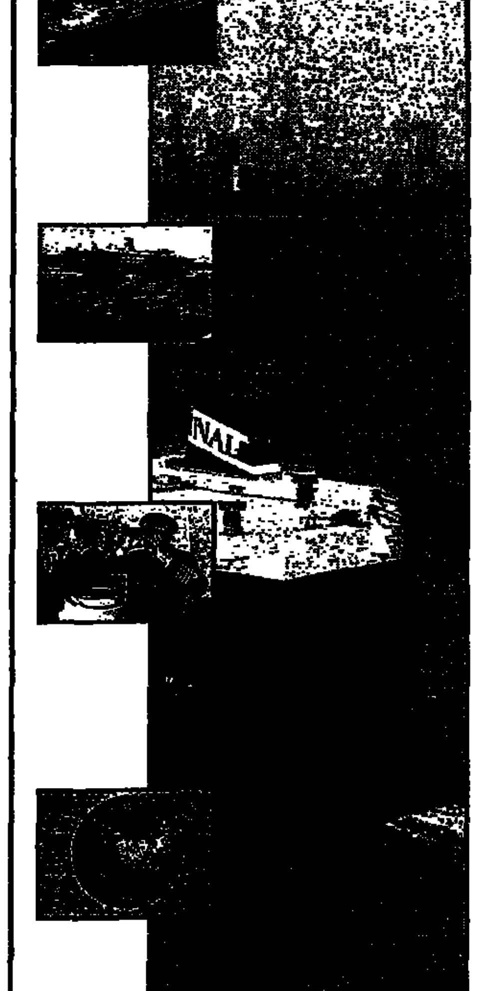
In the end, the fortunes of the Conservatives under Mrs Five may well be decided not by her party's own efforts in broadening its image and changing policies but on what happens to the Labour party over the next two years and in the 1993 general election and whether it can avoid a damaging split over the EC question.

This September's nationwide local government elections will give a strong indication of just how strong the Conservative revival is but unless the party can break out of its suburban middle-class southern strongholds, it may have trouble in projecting a distinctive identity as a genuine national alternative to Labour.

Ideally, a grand coalition of Labour and Conservatives would be best for Norway in defusing the European problem but this remains the least likely outcome. "There is no tradition in this country for that," says Mrs Five. "We want to show that the Conservatives are a serious and important political force capable of forming a government on their own." She is the first to recognise just how formidable an objective that is in today's volatile Norwegian political scene.

Robert Taylor





THE ENVIRONMENT

Building on a green reputation

THE BIGGEST challenge for Norway is to combine its role as one of Europe's leading petroleum producers with that of being in the front line of work to reduce relentless polluting emissions resulting from the combustion of fossil fuels, says Mr Jens Stoltenberg, the Secretary of Environment.

"For us it is important to demonstrate that we take seriously the issue of the greenhouse effect, particularly because we are one of Europe's biggest net petroleum producers," he explains.

It seems almost a paradox that Norway has a reputation as one of the "greenest" countries in the world, despite its increasing North Sea petroleum production.

The tiny country's green international reputation, however, is largely built on the leading role played by Mrs Gro Harlem Brundtland, the prime minister, in the United Nations World Commission on Environment and Development.

The commission produced a report which not only raised world consciousness about the threat to the environment but concluded that it now represents a threat to global and regional economic and social development.

Norway produces just 0.2 per cent of the world's carbon dioxide emissions which are believed to be the main contributor to so-called greenhouse gases blamed for raising world temperatures.

The earth's average temperature is estimated to increase by one degree by 2025, and by three degrees by the end of the next century. This increase is expected to raise the sea level at an average rate of 6 centimetres a decade.

Carbon dioxide from Norway's offshore North Sea platforms account for 16 per cent of the country's total annual emissions. In 1988 CO_2 emissions reached 34.5m tonnes, or roughly 55 per cent of total emissions. They have since remained at about that level.

It is estimated by the UN's IPCC – Intergovernmental Panel on Climate Change – that 5.15bn tonnes of CO_2 is emitted worldwide on an annual basis (1.06t per person).

Industrialised countries account for 74 per cent of the total, although they comprise just 24 per cent of the world's population. The US emits 24 per cent of the world's CO_2, or roughly 5t per person.

Norway has signed a number of international treaties to reduce emissions and has implemented new domestic taxes and raised existing ones on burning fossil fuels. But its environmental policy seems almost to be on a collision course with its energy policy.

Evidence of this was presented earlier this year when the owners of the Heidrun oil and gas field presented a development plan which called for both oil and gas to be produced. The oil would be sold in world markets but the gas was to supply a planned methanol plant and a gas-fired power generation plant, both to be sited on the mid-Norway coast.

Norwegian authorities approved the plan for oil production but postponed the one for gas production until further environmental impact and economic feasibility studies could be completed. Proponents of the methanol project argue that though Norway's emissions will be increased by methanol production, the methanol will be used as a component to lead-free gasoline that automobiles in other countries can burn at less danger to the environment.

Opponents of the gas-fired power generation facility argue that Norway's hydro-power, which generates electricity, is cleaner and cheaper and therefore a better alternative to gas-fired power.

A collision course between environment and energy policies

Norwegian petrol is already heavily taxed, with the state taking about two-thirds of the price of every litre of petrol.

Earlier this year Norway introduced a tax on gas burnt at North Sea platforms. That is expected to raise NKr700m in 1991, but NKr100m of the total amount is earmarked for a global climate fund aimed at helping poor countries to clean up the environment. Norway currently produces 1.9m barrels of oil a day but production is expected to increase to 2.4m barrels by 1996 and remain above 2m barrels a day till the end of the decade.

The country also produces an annual average 25bn cubic metres of gas and is one of Europe's main gas suppliers.

Norway currently exports most of its petroleum production because its electricity, since the 1970s, has been generated by clean, cheap hydropower. The country has been touting its gas supplies to Europe – particularly the polluted east European countries – which could use gas as a cleaner way to generate power as a replacement to more polluting coal and oil.

Paradoxically, if Norway replaced hydro-power generated electricity with gas-fired power generation, its CO_2 emissions would increase significantly.

A ministerial report published in March concluded that Norway's North Sea oil industry will cause a sharp rise in carbon dioxide emissions – by around 60 per cent from 16 per cent – by the year 2000 unless new measures are introduced to help curb outlets.

The report recommended boosting taxes on the burning of fossil fuels. A litre of gasoline currently costs NKr7.20 but the report suggested that the state add NKr2 in taxes by the turn of the century.

Norway has pledged to stabilise carbon dioxide emissions at 1989 levels by the turn of the century and reduce sulphur dioxide emissions by 30 per cent by 1993 and a further 30 per cent by 1998. In addition, nitrogen oxide (NOx) emissions are to be stabilised at 1986 levels (244,000t) by 1993.

Under the North Sea Declaration signed in the Hague by countries which border the North Sea, Norway has agreed to reduce spillage of nutrient salts into the North Sea by 50 per cent by 1995.

But, in February at the World Economic Forum in Davos, Mrs Brundtland said that today's international environment agreements are not capable of achieving optimum results because the costs of reducing emissions vary considerably from country to country. "The implications of reducing emissions must not lead to a tangible distortion of competition," she declared.

Uniform percentage reductions of emissions are not a cost-effective way to achieve environmental goals, nationally or internationally, she believes.

For example, Mrs Brundtland said that although acid rain is a serious problem for Norway, roughly 90 per cent of it is generated by other countries. She suggested that further reductions in Norway's "low" sulphur dioxide emissions would cost 10 times as much as similar reductions in Poland and therefore the environment would be improved more quickly by investing in a clean-up operation in Poland rather than in Norway.

Similarly, Japan is responsible for 14 per cent of the world's gross national product but accounts for just 5 per cent of world CO_2 emissions whereas China generates just 2 per cent of the world's GNP, but generates as much as 9 per cent of its CO_2 emissions.

To achieve maximum environmental benefit for the minimum cost, a new generation of environmental agreements at the global level must be developed, Mrs Brundtland suggested.

To this end, Norway is seeking support for a new concept called "tradable CO_2 quotas". The way this quotas scheme is meant to work is that a global ceiling for emissions would be established with each country – or region – reducing emissions according to an emission quota within the global ceiling.

Countries – or regions – could choose either to use their quotas or trade them. Those where the costs of reducing emissions are high could buy quotas from other countries where costs to reduce emissions are low.

Emission quotas could be paid for in several ways, Mrs Brundtland suggests, not only in the form of money, but also by deliveries – to other countries – of clean energy, pollution control technology, comprehensive trade agreements, or by a combination designed to promote environment and development. In the US a similar scheme works to curb total emissions of sulphur dioxides.

Tradable emission quotas would serve Norway well for the country contributes very little to the greenhouse effect, while it produces an abundance of gas which other countries could use to replace polluting coal and oil for power generation.

But there is some anxiety that an international agreement on reducing CO_2 emissions would force world crude oil prices to fall to a level which could reduce annual income to Norway's oil-dependent economy by between \$2.7bn and \$3.5bn. In 1990 income from the petroleum sector represented 13 per cent of Norway's GNP while petroleum accounted for 30.2 per cent of total exports.

Karen Fossli

Karen Fossli looks at controversial tax reforms

'War' on shipping

THIS YEAR Norway boosted its standing in the world shipping league to No 3, behind convenience flags Panama and Liberia, by increasing the combined tonnage under its registers to 42m deadweight tonnes (dwt) from 37.4m dwt a year ago, when the last Norway survey was published.

It has been estimated shipowners must purchase up to 700 ships in the next decade if Norway is to continue expanding its share of the world fleet. This growth will cost more than \$34.5bn uptil 1995.

In the past five years the Norwegian ocean-going merchant fleet has grown faster than any other in the world, largely because of the establishment in 1987 of the Norwegian International Ship Register (NIS), and a tax regime which favours shipping.

NIS restored the health of Norway's shipping industry, which had suffered a debilitating decline in the 1970s, by offering shipowners some of the world's most flexible and liberal operating conditions. With a tax regime which created an environment for shipowners to boost investments, they were able also to help fuel the growth of contracts placed with a wide range of ship-based services within the domestic maritime community.

However, the period of rapid expansion may grind to a halt and obstruct opportunities for continued maritime growth through the modernisation of the domestic fleet. In the near future Norway could see a rapid exodus of its shipowners because of a planned overhaul of the 80-year old tax system which they claim will significantly reduce their international competitiveness and restrict financial flexibility to renew the ageing fleet.

The tax proposals were announced just after Norway hosted an international conference on safety at sea which stressed the necessity of renewing the fleet to minimise maritime risk and reduce the number of accidents at sea.

Mrs Eldrid Nordboe, Norway's minister of trade and shipping, told the conference that the average age of the merchant fleet had so increased that some shipping companies found it difficult to meet the expenses for necessary ship maintenance and repair, let alone modernise their fleets.

Norway's shippers currently have a total of 160 ships on order, roughly 15 per cent of the world total, worth NKr41bn.

Mr Per Morten Vigtel, a director with the Norwegian Shipowners' Association, an influential lobby group, says that the tax reform is viewed by his members as a near-declaration of war on shipping. It would give Norway the strictest tax system on shipping in western Europe, he says.

According to the association, the proposal, which calls for a cut in the depreciation rate for ship investments to 14 from 25 per cent, will make it too expensive for shipowners to embark on fleet renewal programmes.

There may be a rapid exodus of shipowners in the near future

Mr Vigtel points out that most of Norway's west European shipping competitors have a depreciation rate on ship investments of between 25 and 30 per cent. He argues that a possible consequence of the reform will be a decline in investments and gradual "flagging out" of the shipping fleet to more accommodating countries such as Liberia.

The government's reform is intended to streamline the fiscal system and it cuts the rate of corporate tax from 50.8 per cent to 28 per cent. At the same time, however, it abolishes attractive allowances which essentially reduce the average tax rate, under the existing regime, to 20 per cent.

James Capel, the UK stockbrokers, says the change implies a tenfold increase in taxes paid by shipowners. In a report after the reform was announced Capel estimated that Bergesen, Norway's biggest shipowner, would have paid a tax bill of NKr250m in 1990 under the proposed regime, instead of NKr15m under the existing one.

Last year Bergesen nearly doubled profits to a record NKr925m from NKr562m in 1989 mainly because of gains from securities trading. Although the tax reform will allow large tax-free gains, accumulated in limited shipping partnerships under the existing regime, to be converted into onshore equity investments, this benefit may prove to be of little use to shipowners strapped for extra cash to invest in stocks.

Though so far only a proposal, the tax reform has had a negative psychological impact on investors in shipping equities. The Oslo bourse's shipping index started last year at 820.71 points and sailed to a year's high of 1,023 points by mid-March of this year only to fall back to 578.31 points at mid-April, a week after the tax proposals were announced. The index fell more than 50 per cent between mid-March 1990 and mid-January of this year. In February the shipping sector was valued at NKr32bn, or roughly 20 per cent of the value of the Oslo market.

Before the tax reform was announced, for implementation in 1992, analysts had forecast a good, solid overall performance for the industry this year based on a combination of high charter rates, good demand and a strong dollar.

Now shipowners hope that the opposition, with a majority in the Storting, will either throw out the tax proposal or call for amendments to bridge the disparity between Norway and its competitors.

But with the seasonal doldrums of spring and summer, charter rates and share prices are expected to drop, adding to the crunch on raising funds to renew the fleet. In the last two years some NKr2.9bn has been raised by shipping companies on the Oslo bourse.

If Mrs Nordboe is to see Norway's fleet renewed, her government may have to compromise on its stringent tax reform proposal to keep the path of investment to modernisation free from obstruction.

Mr William O'Neil, secretary general of the UN International Maritime Organisation, told delegates of Norway's safety at sea conference that statistics show conclusively that old ships are prone to a higher number of accidents than new ones. Luckily, the average age of Norway's fleet is 11.7 years, one year younger than the average of the world fleet.

Karen Fossli *on the possible impact of the 'green wave'*

Europe's top oil producer

DURING the next decade Norway will approve no fewer than 60 to 70 small satellite oilfield developments – up to 10 annually – to help maintain crude oil production above 2m barrels a day. The new fields could contribute up to 1m barrels to daily production.

According to Edinburgh-based County NatWest WoodMac (CNWM), the analyst, this year Norway overtook Britain as Europe's biggest oil producer with an estimated annual average oil and natural gas liquids (ngl) production of 1.94m barrels a day, 13 per cent above last year's level.

CNWM reckons Norway is likely to achieve peak oil/ngl production of 2.4m barrels a day by 1996. In the fourth quarter of this year production will surge to a new record of 2.1m barrels a day.

But unofficial figures from the Ministry of Petroleum and Energy put this year's pure oil production at about 1.78m barrels a day rising to a peak of 2.16m barrels a day in 1995.

Norway produces oil from about 30 North Sea fields. Production has yet to commence from the mid-Norway Haltenbanken region but there are two oilfields – Draugen and Heidrun – which are currently being developed. Draugen, situated in the southern part of the Haltenbanken region, will add about 95,000 barrels a day when it hits peak production. Draugen will come on stream in 1993.

Heidrun, located in the northern part of the Haltenbanken region, is being developed according to a phased plan with production scheduled from 1995. However, because of CO_2 emission goals, the authorities postponed a decision until some time this year on the development of Heidrun's gas.

The owners of the field have plans to build a land-based methanol plant and a gas-fired power generation facility which would be based on Heidrun's gas. But, environmentalists argue that Norway's CO_2 emissions would rise to an alarming level. Another alternative would be to re-inject the gas back into the reservoir until it can be sold to the market.

The impact of the "green wave" sweeping Europe has elevated the consciousness of Norwegian energy authorities about CO_2 emissions from offshore installations. This year a CO_2 tax was implemented on the emissions from offshore platforms, the first CO_2 tax in the North Sea. It is estimated that Norway's offshore platforms and pipelines produce 16 per cent of the country's CO_2 emissions, or about 5.6m tonnes in 1990, but this could increase to 60 per cent by the turn of the century if nothing is done.

The Oil Industry Association is currently undertaking a study which looks at how the power produced for offshore consumption can be made more efficient. It is believed that increased efficiency will lead to a reduction in CO_2 emissions.

The authorities take the environmental issue seriously but at times it seems as if the country's energy policy may be on a collision course with environmental goals. When submitting field development plans to the authorities for approval, oil companies must, however, demonstrate that the field will be developed with minimum CO_2 emissions.

It is expected that new procedures for monitoring CO_2 emissions will be introduced along with guidelines for equipment used to generate power on platforms.

Service contractors' breakthroughs in supplying technology to other N Sea sectors

But Norway fears that an international CO_2 agreement could lead to reduced oil prices, causing oil revenue to fall by NKr15-20bn annually.

Norway's economy is dependent on oil income – it accounts for one quarter of export revenue – and little has been done to reduce that dependence. The current annual rate of petroleum exploitation is 110m tonnes of oil equivalent, yielding NKr27bn in net revenue to the state budget.

But a "petroleum fund" was established as a separate account for petroleum income to enable transparency of oil-money spending.

Medium-term guidelines will be introduced on the amount of annual "drawings" on the fund, but additional transfers will have to be approved by the Storting. Oil revenue in excess of voted central-government budget deficits (before loan transactions) plus half of government lending to state banks will be retained in the fund.

During the first 50 days when Iraq invaded Kuwait the wholesale value of Norwegian petroleum increased by about NKr4.6bn because of the increase in world crude oil prices. The oil companies benefited from a large portion of the windfall, but the state boosted net income in that short period by about NKr3.5bn.

The 1991 fiscal budget based petroleum income on an oil price of NKr120 a barrel to achieve a total of NKr80.4bn for exports of oil, natural gas and pipeline fees.

Royalty and taxes paid to the state peaked in 1985 at NKr34.822bn and, with the introduction of a new petroleum tax scheme in 1986, the state reduced its possibilities for maintaining this high level which fell to NKr17.3bn in 1990. The tax reform paved the way for multinational oil companies to shoulder more of the financial risk burden associated with the petroleum industry.

Official petroleum estimates put the total at about 8.8bn tonnes of oil equivalent (toe), of which 0.88bn toe had been produced by December 1990. In the North Sea existing reserves are estimated to be 3.6bn toe, of which oil and condensate comprise about 40 per cent.

Last year 36 exploration wells were drilled compared to 28 in 1989 but in Norway's 25-year petroleum history some 662 exploration wells have been drilled. At the turn of the 1990/91 year some nine fields were under development with 22 others waiting in the wings for approval.

Statoil, the Norwegian state oil company, reckons that it will spend some NKr4bn annually on developing new fields. Norwegian companies have traditionally been awarded the lion's share of goods and services contracts – between 50 and 60 per cent – particularly engineering contracts, while foreign companies dominate deliveries of equipment. In 1990 NKr30bn worth of contracts was awarded for upstream petroleum developments.

Norway's service contractors have benefited immensely from the country's "technology transfer" policy and have this year made important breakthroughs in supplying technology to other North Sea sectors. Several companies are in the process of expanding and major international acquisitions have been made with several others under study.

The big Aker group is looking at the possibility of acquiring a US company and/or construction yard to cash in on the future prospects for oilfield developments in the Gulf of Mexico where it is estimated that between 10 and 15 floating production units will be needed to exploit new fields in the next decade.

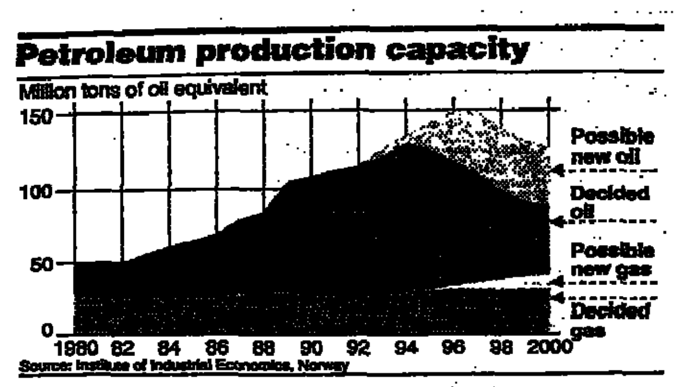
One interesting feature about Norway's oilfield expertise is that technology extrapolated from US experience was upgraded for North Sea petroleum production. That technology is likely to be transferred back to the US where future fields in deep water are to be developed.

Norway advocates a increased dialogue between oil-producing and oil-consuming nations as a way to help ensure the stability of world crude oil prices at a "reasonably" high level. The country has offered to host a major conference on "global energy policy inter-relations" which may gather the international support it needs to be staged this year.

There is also concern about long-term, responsible utilisation of global natural resources, particularly with regard to non-renewable sources of energy and to this end the government-backed Dutch prime minister Ruud Lubbers' initiative calling for the establishment of a European Energy Community.

Mrs Brundtland, Norway's prime minister, called Mr Lubbers' plan a visionary suggestion of how a common energy destiny can be structured and how enough energy can be secured without waste to "warm the European house".

Petroleum production capacity



Source: Institute of Industrial Economics, Norway

Karen Fossli considers gas prospects

Outlook 'couldn't be better'

THE FUTURE outlook for Norway's gas industry could not be better. Mr Klaus Liesen, chairman of Ruhrgas, the German gas company which is one of Norway's biggest gas customers, believes that Norway may become the leading gas supplier to Europe in the early years of the next century.

Last month Ruhrgas opened offices in Oslo, symbolic of its desire to co-operate even closer with Norway and of the long-term nature of the two countries' relations.

In an opening speech Mr Liesen pledged to assist Norwegian gas producers and Verbundnetz Gas, the east German gas company, in concluding long-term supply contracts and to find the most efficient and effective way for Norwegian gas to flow eastwards.

Since the green wave swept Europe, interest in Norway's gas seems to know no bounds. Gasunie, another big customer, forecasts that Norwegian gas exports to the Continent will double from the current level of 27bn cubic metres annually by the year 2010. This is when Gasunie expects European annual gas consumption to have risen to 540,000m cubic metres from 380,000.

Gasunie reckons that only half of demand will be met by existing gas contracts while the other half represents about 10 times Norway's current annual output.

Norway's gas reserves total some 2.75bn cubic metres and there are only eight countries in the world which have larger proven gas reserves.

Interest in Norway's gas has been fuelled by environmental concerns of generating power by coal and fuel oil. Gas is considered to be a more environmentally alternative source of power generation.

Based on gas contracts signed by the turn of the century, Norway will have a market share of between 15 and 25 per cent in its largest European markets. But Statoil, the Norwegian state oil company, reckons that annual gas exports could reach 50bn cubic metres by the year 2000.

Last month a landmark deal between Britain and Norway was signed in which £150m worth of Norwegian gas a year is to be imported by National Power over a period of 15 years.

The deal, the first of its kind between Norway and a large UK consumer, may force the UK government to change its policy blocking Norwegian gas imports and represents a breakthrough for Norway whose only UK gas customer hitherto has been British Gas.

National Power intends to build a series of gas-fired power stations but the new Norwegian imports will be used partly to supply a new 650MW station being planned for Little Barford, Bedfordshire, or a 1,500MW station planned at Staythorpe, Nottinghamshire.

The electricity industry is the most promising growth area for natural gas developments in combined-cycle gas power plant technology have led to major increases in efficiency.

Statoil believes that stricter emission standards will make coal-based power generation less competitive to gas and CO_2 emissions restrictions are likely to eliminate coal as a competitor to gas in the electricity sector. Policies to mitigate greenhouse gases could have a stronger impact on future gas demand than has yet been realised.

When the giant Troll field comes on stream in 1996, it will become one of the kingpins of supply of gas to Europe. The mid-Norway Haltenbanken region will further underscore Norway's supply ability and later a gasfield off the coast of northern Norway will also constitute an important source of supply.

But the challenges for Norway will be to expand gas production and transport capacity to meet growing demand. Although Norway's gas is a short distance to market it must still compete with other suppliers such as the Soviet Union and Algeria. Nigeria may also emerge as a major competitor.

Last month it was decided that a third pipeline from the Norwegian North Sea to Europe would be built at a cost of NKr10.2bn and initial capacity of 12bn cubic metres. The so-called "Europipe" which will be landed in Germany may be in operation in October 1995.

Norway currently exports gas to Emden, Germany via the Norpipe/Statpipe system. Zeepipe, which will link the Sleipner and Troll fields to Zeebrugge, Belgium, will be completed in 1993. Europipe will be around 635 kilometres long and Zeepipe 810 kilometres long.

But new gasfield development decisions will soon have to be taken to meet the expected increase in European demand. Currently the existing organisation for selling Norway's gas is Gassforhandlingsutvalg – the Gas Negotiating Committee – led by Statoil, Saga Petroleum and Norsk Hydro.

Under the giant Troll/Sleipner gas sales agreement signed in 1986 with a consortium of European buyers, 30.51bn cubic metres of gas is committed under the contract. This could expand to 40.82bn cubic metres if the buyers exercise all their purchase options.

But it is likely that the Troll field will underwrite future gas sales and that sales of gas from other fields will be brought under the Troll umbrella.

LONDON STOCK EXCHANGE

ICI deals enliven a gloomy market

A FURTHER shakeout in UK equities yesterday, sparked off by political uncertainties ahead of tomorrow's UK parliamentary by-election, was masked to some extent by a strong rise in ICI shares as an unnamed buyer bought a stake of about 2½ per cent of the equity through the stock market. The purchase of 17½m ICI shares at a premium of around 6 per cent to the overnight price, exhilarated the market, turning a fall of around seven Footsie points into a gain of two – but only briefly. Bearish concerns, ranging from a very poor showing in the opinion polls by the Conservative party to yet more depressing trading statements from British boardrooms, reasserted themselves and the market turned sharply down on increased selling.

Account Dealing Dates		
*First Dealings:		
Apr 29	May 20	Jun 3
Option Declarations:		
May 16	May 30	Jun 13
Last Dealings:		
May 17	May 31	Jun 14
Account Day:		
May 28	Jun 10	Jun 24

*New-time dealings may take place from 8.30 am two business days earlier.

The final blow for London came when Wall Street quickly fell by 30 Dow points as its new session opened. The UK market was badly rattled and by the close of business the FT-SE Index was a net 22.9 points off at 2,463.7.

The initial ICI deals, transacted on behalf of a client by Smith New Court, the UK securities house, dominated the market at mid-morning. With the stake involved apparently not large enough to require official declaration, the stock market was left to speculate as to the identity of the mystery buyer. There was no shortage of suggested names, with Hoechst, of Germany, later denying involvement.

However, dealers were surprised in late dealings to see a batch of deals in ICI totalling 20m shares appear on the Seaq screens, having been traded at 1194¼p compared with the day's high of 1167p recorded earlier. It was thought this might be the final stage of the transaction, as Smith sold on the stake to its client.

The stock market at first decided that this was probably not an aggressive takeover move against ICI, one of the blue chip stars of the London market, if only because of the regulatory problems likely to arise. But the late deals in ICI stock mystified the stock market which hopes to hear further news today. At the 4.30pm official close of the market, ICI shares were 5 per cent up but well below the day's best.

For the rest of the market, it was a difficult session, with shares steady at first as some stock was bought to meet Monday's selling orders. Support soon dwindled, however, and after discounting the ICI drama, it was clear that the mood remained depressed.

With hopes in base cuts this week now fading, the stock market was left to face the implications of the latest opinion poll prediction that tomorrow will bring a sweeping victory for the Labour opposition party in the by-election.

Concern over the depth of the economic recession on retail business and advertising revenues in the UK was heightened by gloomy comments from the boardrooms of Marks and Spencer and United Newspapers.

Traders commented that sizeable lines of stock had come on offer yesterday, and it was clear in late dealings that the market was highly vulnerable to selling pressures. Seaq volume jumped to 507.8m shares from the 354.4m of the previous session. Detailed statistics from the London Stock Exchange shows that, while still significantly lower that in the first quarter of the year, retail or customer business in equities has begun to increase as the market has turned decidedly downwards; on Friday, retail business on Friday, when the Footsie was down 17.5, was worth £807.8m, the highest daily figure for the week.

FINANCIAL TIMES STOCK INDICES

	May 14	May 13	May 10	May 9	May 8	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	84.33	84.78	84.94	85.03	84.84	77.05	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.91	94.10	94.11	94.12	93.99	86.13	94.94 (5/4)	90.89 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share●	1925.3	1942.8	1974.5	1996.2	1984.1	1731.6	2014.5 (5/4)	1608.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	144.5	144.2	145.7	148.6	144.6	217.8	179.7 (14/1)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2463.7	2486.6	2524.3	2541.8	2523.4	2212.2	2545.3 (5/4)	2054.8 (16/1)	2545.3 (5/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1154.15	1163.36	1172.17	1171.30‡	1166.81	-	1176.39 (15/4)	938.82 (16/1)	1176.39 (15/4/91)	938.82 (16/1/91)
●Ord. Div. Yield	4.98	4.94	4.87	4.82	4.85	5.27				
●Earning Yld %(full)	8.80	8.85	8.73	8.64	8.70	11.80				
●P/E Ratio(Net)(★)	14.03	13.89	14.06	14.22	14.15	10.24				
SEAQ Bargns 4.45pm	26,463	26,792	31,104	28,369	26,096	23,580				
Equity Turnover(£m)†	-	591.02	807.77	725.89	758.93	730.42				
Equity Bargains†	-	26,348	31,242	28,641	27,971	23,880				
Shares Traded (ml)†	-	305.6	388.3	330.0	356.3	311.6				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ★ Nil 13.46 ‡ Indicative

Ordinary Share Index, Hourly changes — Day's High 1947.2 — Day's Low 1923.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1945.9	1945.0	1938.8	1938.1	1945.1	1946.3	1937.2	1926.6	1924.3

FT-SE 100, Hourly changes — Day's High 2492.1 — Day's Low 2462.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2490.7	2488.4	2483.0	2483.1	2488.0	2491.3	2484.0	2467.6	2463.0

FT-SE Eurotrack 200, Hourly changes — Day's High 1162.18 — Day's Low 1152.40

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1161.95	1161.67	1159.86	1159.17	1161.73	1158.78	1153.37

GILT EDGED ACTIVITY

Indices*	May 13	May 10
Gilt Edged Bargains	109.0	75.2
5—Day average	85.4	82.1

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share Index: Tel. 0898 123001

ICI deals puzzle market

SECURITIES house Smith New Court threw the market into brief but dramatic confusion yesterday when it bid for 17.5m shares in ICI on behalf of an as yet unnamed client. The shares jumped 57 to 1158p on a recorded turnover of 40m and provided by far the best performance of the day. Smith said it had managed to buy the entire number required.

The market was further shaken when two minutes before the market closed a batch of trades of 20m ICI shares went through at 1194¼p, a 27¼p premium to the initial purchase price. Smith's purchase in the market, which represented a 2.47 per cent stake in the company and was worth £196m, took place at 11.30am.

Shares in ICI, one of the world's leading chemical companies and seen as one of the groups which most mirrors the UK's performance, shot up from just over £11 to meet the offer price of £11.67. One dealer said: "I believe it is a substantial vote of confidence in the value of ICI and, by proxy, in the value of the UK."

For a short while the stock was in backwardation, the state whereby a dealer can theoretically buy at one price and sell within the market at a higher price immediately afterwards. ICI's joint brokers were all taken by surprise, which lent support to the belief that an aggressive stake builder was moving in.

Brokers argued that if the purchase was not taking the stake above the significant 3 per cent level, that buyer had paid a heavy premium for something that could easily have been bought at market rates.

The likeliest group behind the deal was seen to be Hoechst, the German chemical company, with rivals Bayer and BASF, the UK conglomerate Hanson and even the Sultan of Brunei also rumoured to be the party involved. Hoechst and BASF both dismissed the rumours. Because of its national significance anyone bidding for ICI can expect to face regulatory constraints.

GA more optimistic

General Accident's first-quarter figures, showing a loss of £75.1m, were as expected by the City and compared with a deficit of £81m during the same period last year. The market's initial reaction to the numbers was to edge the shares higher to 527p. Thereafter, the shares drifted back with the rest of the market and settled 4 off at 522p.

The early firmness in the shares and their subsequent resilience reflected the more optimistic tone adopted by the company in its accompanying statement, which said the effects of increased premium rates and cost controls were beginning to show through.

Mr Andrew Goodwin said he maintained his positive stance on the stock and expected the group to break even over the remaining nine months of the year, leaving it with an overall loss of £75m. He expected "dividend growth in line with that of the market".

GRE hopes rise

Guardian Royal Exchange was the best performer in the composite insurers after news around lunchtime that Generali, the Italian insurance giant, had launched a rights issue, initially to raise some £400m, but expected to be increased to £800m following an issue of warrants.

London dealers immediately focused on the takeover attractions of GRE for Generali, which is believed to have a small stake in the UK insurer. GRE shares closed a penny ahead at 203p with turnover reaching a higher than usual 4.4m.

Insurance specialists were unsure about the possibility of a bid for GRE and said that Generali might be more likely to move against another Italian insurer, while the US was also seen as a potential target area.

Utilities, encompassing the water issues, regional electricity companies and the generators were unsettled by the latest opinion polls forecasting a poor showing by the Conservative party in the Monmouth by-election.

Dealers said there had been heavy selling of the Electricity Package, finally 50 off at £2068, which in turn put heavy pressure on the individual electricity issues.

The worst of these included Eastern Electricity, 8 cheaper at 175p, Northern, 7 off at 204p, and Seeboard, the same amount down at 192p.

The Water Package fell 58 to £2980 but there was little evidence of big selling pressure and no further signs of brokers unbundling Package units. The worst performers in waters were Wessex, 13 off at 331p, Anglian, which dropped 9 to 293p, and North West, 9 lower at 293p.

Sun Alliance shares were given an unpleasant ride ahead of today's annual meeting as the market picked up suggestions that the group's close ties with the Halifax Building Society may have been loosened. At the close, Sun shares were 13 down at 367p, although turnover failed to reach the 1m mark.

Croda International turned lower after the chairman told yesterday's annual meeting that trading profits for the first quarter were well down on the corresponding period of last year, which were a record. He added that there was no evidence yet of a recovery either in the UK or abroad, and the shares ended 6 off at 168p.

BTP was also dull, at 199p, down 5, along with Laporte, which lost 7 to 572p.

British Gas remained a resilient market, closing only a fraction off at 233p with heavy turnover of 15m triggered by a presentation to the Society of Investment Analysts by Mr James McKinnon, the head of Ofgas, the industry watchdog.

The oil majors continued to come under pressure, with BP another 4 down at 330p on 5.2m and Shell 7 weaker at 504p on 3.5m. Enterprise dropped 9 to 526p.

A slight increase in half-time profits for Hanson was not enough to stop the stock slipping with the market. The shares closed 5 down at 220p.

Bass dropped 23 to 944p on talk that a broker had lowered its profits forecasts due to weaker performance at the group's hotels division. This also depressed Ladbroke, which dipped 8 to 274p as 7.3m shares changed hands.

United Newspapers retreated 7 to 340p following a gloomy chairman's statement at the company's annual meeting yesterday.

Bullish press reports were said to be behind a sharp rise in Airtours, the tour operator and holiday group, which closed 27 up at 476p. Leisure experts at BZW said the reports forecast that the company would make £18m, but BZW considers that could only be a rash prediction and the securities house is holding to its estimate of £13.2m.

Brent Walker, the troubled leisure conglomerate, dipped sharply again following yesterday's losses warning. The shares fell 13 to 27p.

Marks and Spencer closed a penny higher at 257p on relief that there were no disappointments in its final figures. Profits up £11.3m to £615.5m were in line with expectations. Analysts generally raised their current year estimates by around £10m to between £660m to £670m.

Business services group Gestetner drifted back still further to a 7-month low of 187p, down 6. The lack of trading news, said dealers, was prompting small sales ahead of next month's interim results. Analysts have downgraded profits expectations for the company because organic growth has been slowed by the current economic climate. However, Mr Peter Joseph of Smith New Court thought the stock currently represented good value to investors with long-term gains in mind.

Avon Rubber moved against the trend, although the company is likely to report sharply lower half-yearly profits today. County NatWest expects £2.2m against £4.8m for the corresponding period last year. The shares closed 3 better at 278p, helped by news that the Morgan Grenfell group held a 3.2 per cent stake.

Scapa Group, a manufacturer of specialised products for the paper and printing industry, lost 4 to 162p as a shareholding of 3.5m shares changed hands at 160p.

The bad news yesterday from Parkland Textile – a loss was incurred and the dividend was cut sharply – had been fully discounted and the "A" shares rose 4 to a 1991 high of 86p.

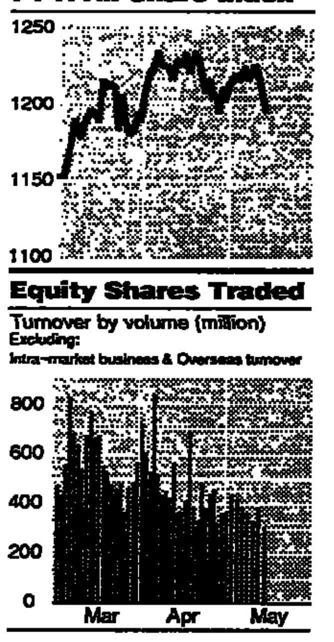
Betterware Consumer Products, the catalogue direct seller of domestic household ware, surged still higher. Optimism over the annual results, expected next month, has lifted the stock from 186p a month ago to 261p, up 12 yesterday.

Lower first-half profits took Apollo Metals, the USM-listed processor and distributor of aluminium plate and bar, down 5 to 126p.

Amberley Group, another USM-quoted stock which specialises in buildings preservation, advanced 5 to 28p on the announcement that Mr Peter Cox had acquired a 14.9 per cent stake from a director of the company.

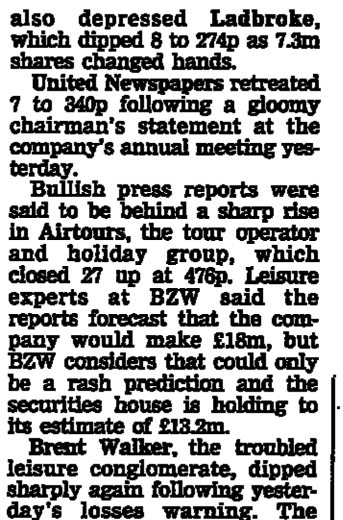
■ Other Market statistics, including the FT-Actuaries share index. Page 24

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: Intra-market business & Overseas turnover



NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (93). [illegible]

NEW LOWS [illegible]

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	1,700	75	+1	Dalgety	657	375	−4	Manpower	816	70		Slough Ests.	376	247	−6
ASDA Group	5,500	114	−1	De La Rue	294	355	−1	[illegible]	88	249	−6	Smith (W.H.) A	289	388	
Abbey National	2,200	267	−2	Dixons	1,200	191	−3	Marks & Spencer	5,400	257	+1	Smith & Nephew	1,600	123	−1
Albert Fisher	3,300	123	−2	ECC Group	324	412	−7	Maxwell Comms.	388	223	−1	SmKl Beecham	2,000	767	−23
Allied-Lyons	3,100	552	+2	Eastern Elect.	273	175	−8	Midland Bank	845	215	−3	SmKl Beecham Uts.	227	[illegible]	[illegible]
Amstrad	140	71½	+½	East Midland Elect.	358	195	−8	Midlands Elect.	666	204	−2	[illegible]	161	380	−1
Anglian Water	1,400	283	−9	Enterprise Oil	225	526	−9	NatWest Bank	3,300	314	−10	Southern Elect.	119	294	−6
Argos	269	303	−4	Eurotunnel Units	280	465	−16	National Power	7,700	184	−½	South Wales Elect.	408	247	−3
[illegible]															

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

LONDON stock index futures remained in a bearish frame of mind yesterday, spending most of the session indicating that the share market could fall further.

For the first time, the June FT-SE 100 index traded at a discount to the spot index, indicating its nervousness about the immediate outlook for equities.

Weakness on Wall Street added to the market's discomfort, and by the close of business, June FT-SE was down 29 points at 2,465, just above its low of the day.

June's premium to the cash index finished at a small amount compared with 15 the previous day. Analysts calculate that June should trade at a 15-point premium once the cost of finance and future dividend payments are taken into consideration.

The uncertainty about the next move for UK shares was reflected in the options market, with the FT-SE index particularly active. A total of 12,874 FT-SE contracts changed hands, double that of the previous session.

In the Euro FT-SE there were buyers of December 2,525 calls and December 2,425 puts. Rolls-Royce was the busiest stock option on selling of the June 160 puts, with 2,292 contracts changing hands. Sellers of British Gas September 220 puts and buyers of BT August 390 puts also lifted turnover.

LONDON SHARE SERVICE

BRITISH FUNDS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
[illegible]						
		Five to Fifteen Years				
[illegible]						

BRITISH FUNDS—Contd

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
94¾	89¾	Treas 8¾pc 1997‡‡	92¾	−⅛	9.43	10.31
122⅜	117	Exch 15pc 1997	119¾	−¼	12.54	10.69
98⅝	93⅞	Exch. 9¾pc 1998	96⅝	−⅛	10.07	10.42
85⅛	80¾	Treas 6¾pc 1995–98‡‡	84⅝	−⅛	7.97	9.84
127⅞	121¾	Treas. 15½pc '98‡‡	124⅝	−⅛	12.46	10.63
109⅞	104¾	Exch. 12pc 1998	107⅜xd	−⅛	11.18	10.56
97⅞	92⅞	Treas 9½pc 1999‡‡	95⅞	−⅛	9.91	10.30
111⅞	105⅞	Exch. 12¼pc 1999	108⅞	−⅛	11.26	10.57
102⅝	97⅜	Treas. 10½pc 1999	100⅜xd	−⅛	10.47	10.45
101⅛	95⅞	Conversion 10¼pc 1999	98⅝xd	−⅛	10.38	10.46
94⅞	89⅛	Conversion 9pc 2000‡‡	92⅜	−⅛	9.71	10.28
116⅜	110½	Treas. 13pc 2000	113⅝	−⅛	11.45	10.65
116⅛	113⅜	Do. 13pc 2000 A	113⅝	−⅛	11.45	10.64
100⅛	94⅞	Treas 10pc 2001	97⅝	−⅛	10.24	10.39
118⅞	113⅞	Treas. 14pc '98–01	115⅝xd	−⅛	12.09	10.73
98⅜	92⅞	Treas 9¾pc 2002	95⅞	−⅛	10.19	10.41
100⅞	94⅞	Treas 10pc 2003	97⅛	−⅛	10.28	10.38
108¼	102	Treas. 11½pc 2001–04	105⅛	−⅛	10.91	10.58
58⅞	53⅛	Funding 3½pc '99–04	56⅝	−⅛	6.18	9.28
97⅛	90⅞	Conversion 9½pc 2004	93⅞	−⅛	10.11	10.33
97⅛	90⅞	Conversion 9½pc 2005	93⅞	−⅛	10.11	10.31
118¼	111	Treas. 12½pc 2003–05	114⅝xd	−⅛	10.94	10.44
		Over Fifteen Years				
85⅝	79⅞	Treas. 8pc 2002–06‡‡	82⅞	−⅛	9.71	10.29
112½	105⅞	Treas. 11¾pc 2003–07	108⅞	−⅛	10.79	10.41
90⅛	84⅞	Treas 8½pc 2007‡‡	87⅛	−⅛	9.77	10.15
125⅝	118⅞	Treas. 13½pc '04–08	121⅝	−⅛	11.10	10.41
94⅞	88⅞	Treas. 9pc 2008‡‡	91⅛	−⅛	9.86	10.06
94½	91⅛	Do. 9pc 2008 C	91⅛	−⅛	9.71	10.07
85⅞	80	Treas 8pc 2009	82⅛	−⅛	9.69	10.10
94⅞	88⅛	Conv 9pc Ln 2011‡‡	90⅞	−⅛	9.90	10.06
63⅛	58⅞	Treas. 5½pc 2008–12‡‡	60⅝	−⅛	9.07	9.99
82¼	76⅞	Treas. 7¾pc 2012–15‡‡	79⅛	−⅛	9.79	10.07
121⅛	113⅞	Exch. 12pc '13–'17	117⅛xd	−⅛	10.25	10.07
		Undated				
40⅛	37⅞	Consols 4pc	39	−⅛	10.26	−
35⅞	33⅛	War Loan 3½pc‡‡	34⅝xd	−⅛	10.07	−
59⅞	57⅛	Conv. 3½pc '61 Aft.	58⅛	−⅛	5.99	−
29⅞	28¼	Treas. 3pc '66 Aft.	29⅛	−⅛	10.32	−
25¼	23⅝	Consols 2½pc	24⅛	−⅛	10.18	−
25¼	23⅞	Treas. 2½pc	24⅛	−¼	10.28	−

Index–Linked

1991 High	1991 Low	Stock	(b)	Price £	+ or −	(1)	(2)
128⅛	125⅞	Tr. 2pc '92‡‡	(97.8)	128⅛	....	1.44	4.36
117⅞	115⅞	Do. 2pc '94	(102.9)	117⅞xd	....	3.07	3.90
172⅝	168⅞	Do. 2pc '96	(67.9)	172⅜	....	3.26	3.75
141⅞	137⅞	Do 2½pc '01	(78.3)	141⅛	−¼	3.82	4.10
137⅞	133	Do. 2½pc '03	(78.8)	137⅜xd	−¼	3.92	4.16
139⅞	135	Do. 2pc '06	(69.5)	137⅛	−¼	4.00	4.19
128⅞	124⅛	Do. 2½pc '09	(78.8)	128⅛xd	−⅛	4.01	4.19
132⅝	128⅞	Do. 2½pc '11	(74.6)	132⅛	−⅛	4.03	4.19
109¼	105⅞	Do. 2½pc '13	(89.2)	109⅛	−⅛	4.02	4.17
117½	113⅞	Do. 2½pc '16	(81.6)	116⅛	−⅛	3.99	4.14
113⅞	109⅞	Do. 2½pc '20	(83.0)	112⅛	−⅛	3.97	4.09
95⅛	91⅛	Do. 2½pc '24‡‡	(97.7)	94⅝	−⅛	3.91	4.03

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for August 1990: 128.1 and for March 1991: 131.4.

INT. BANK AND O'SEAS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
102	95⅞	African Dv Bk 11¼Ln 2010	99⅛	−⅛	11.20	11.20
97⅞	91⅞	Asian Dev Bk 10¼pcLn2009	95⅛	−⅛	10.78	10.87
112⅛	105⅞	Int-Am Dev Bk 12½pc 2003	109⅛	−⅛	11.40	11.05
92⅞	86⅞	Do. 9¼pcLn 2015	89⅞	−⅛	10.84	10.94
120	101	Nd. Mexican States 16½pc 2008	120	....	13.75	13.46

CORPORATION LOANS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
103½	101½	Birmingham 11½pc 2012	102½	....	11.22	11.20
96½	93½	GLC 6¾pc 1990–92	95½	....	7.07	11.20
115½	110½	Leeds 13½pc 2006	115½	....	11.69	11.55
30	28	Liverpool 3½pc Irred	30	....	11.67	−
27	26	LCC 3pc '20 Aft	26	....	11.54	−
103½	97½	Manchester 11½pc 2007	101½	....	11.33	11.20

COMMONWEALTH & AFRICAN LOANS

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
90	84½	Sth Rhod. 87–92 Assd	90	....	−	−

LOANS

Building Societies

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
104½	102½	N'wide Anglia 3¾pc IL 2021	103¾	−½	−	5.37
107	104¾	Do. 4.25pcIL '24	106¾	−¼	−	4.97

Public Board and Ind.

1991 High	1991 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
53	52	Met. Wtr. 3pc 'B'	52	....	5.77	9.70

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	50	....	3.50	17.00
50	50	Do. 6pc 28 Stb. Ass.	50	....	3	16.00
50	50	Do 4pc Mixed Ass.	50	....	2	14.00
55	55	Hung. '24 Ass.	55	....	2.75	13.57
128	120⅞	Hydro Quebec 15pc 2011	123⅞	−1⅛	12.89	11.85

Continued on next page

APPOINTMENTS

International food group restructure

■ DEL MONTE FOODS INTERNATIONAL has been restructured and has made the following appointments. Mr Peter Brooks becomes vice chairman with responsibility for European trade relations, corporate development and corporate human resources. He will continue to have direct responsibility for the company's business in the UK for an interim period. The following general managers have been appointed vice presidents and managing directors of the functions stated: Mr Mario Calatroni, Italy; Mr Alan Stevens, northern continental Europe; Mr Giorgio Perviani, France, Spain and special markets; and Mr Elio Del Maestro, corporate marketing and business development. Mr Richard Curry becomes financial controller, and Mr Mark Brody is made director of audit.

■ Mr Christopher Green, who was chairman of the London Metal Exchange board from 1987 to July last year, has been appointed a director of BARCLAYS METALS, the LME ring dealing subsidiary of Barclays Bank. Mr Green was managing director of Cerro Metals (UK).

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■ THE CUMBERLAND BUILDING SOCIETY has appointed as directors Mr Peter Whitley, general manager of United Biscuits, Carlisle, and Mr James Carr, formerly chairman of computer services business, Dataserv Inc.

■ UK PETROLEUM INDUSTRY ASSOCIATION has elected Dr R.G. Reynolds, Shell UK Oil, as president; Mr V.E. Thomas, BP Oil, and Mr W.J. Tierney, Texaco, as vice presidents; and Mr R.T. Judlin, Total Oil GB, has been re-elected treasurer. All are managing directors in their respective organisations.

■ DIESPEKER, reinforced concrete specialist subsidiary of Higgs and Hill, has been appointed the following: Mr Stephen Ives as director and general manager; Mr Stephen Jones as director of commercial services; and Mr Roy Stobart as director of construction.

■ J.H. MINET & CO has appointed Mr David Tait as director, international marine and energy division.

■ Mr Michael Diacono has been appointed a director of UNITED CONSUMER MAGAZINES, part of United Newspapers. He was managing director of its subsidiary, United Magazine Distribution.

■ LONDON & EDINBURGH INSURANCE GROUP has appointed to the board Sir Robert McCrindle, MP for Brentwood and Ongar. He is a non-executive director of M & G Assurance Group, and of Hogg Robinson.

■ LIBERTY has appointed Mr John S. Lafitn as group design director. He remains design director of wholesale and converting subsidiary London Prints. Mr Richard Stewart-Liberty becomes merchandise director and remains merchandise director of Liberty Retail.

■ BWW ASSOCIATES, securities industry specialists, has appointed Mr Stanley D.L. Ross as a non-executive director. He was managing director of Deutsche Bank Capital Markets.

■ Mr David Bowden has been appointed managing director of MERRETT HEALTH RISK MANAGEMENT. He was district general manager of Brighton Health Authority.

■ BAIN CLARKSON, part of Inchcape, has appointed Mr Nick Tiley to the main board; Mr David Holder as southern regional managing director; and Mr Keith Rawlings as south east regional managing director. Mr Stewart McLennan has been appointed pre-retirement counsellor at Bain Clarkson Financial Services.

■ FINANCIAL INSURANCE GROUP has appointed Mr John Abbiss as head of marketing. He was assistant general manager, sales suppport, with Crusader Insurance. Mr David McGregor has been appointed assistant director, new business operations. He was director, administration, with Security Pacific Insurance Group.

■ Dr Peter Harrop has been appointed a non-executive director of KALAMAZOO. He has held senior posts at Mars, Landis & Gyr, and other companies.

■ ROPNER has appointed Mr Max Gladwyn as managing director.

■ Mr Nicholas Klaassen has been appointed head of agency of ABBEY LIFE ASSURANCE (IRELAND). He was managing director of SMR Financial Services in Edinburgh.

Mr Ron Stewart (pictured) has been appointed chief manager of THE ROYAL BANK OF SCOTLAND'S City of London office. He was deputy chief manager.

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AMERICANS

1991 High	Low	Stock	Price $	+ or –	Div Gross	C'vr	Y'ld Gr's
30¼	20⅞	Abbott Laboratories	29⅛	–⅛	$1.00	–	2.0
363p	257p	Allegheny & W 1c	310p	+11	30c	–	5.7
980p	667p	Amdahl 5c	945p	–33	10c	–	0.6
36⅞	25¾	Amer. Cyanamid $5	36¼	–¼	$1.50	–	2.4
17⅞	9⅝	Amer. Express 60c	13⅞	–1¼	92c	–	4.1
22⅝	15¼	American T. & T. $1	21⅛	–⅛	$1.32	–	3.7
38⅞	32½	Ameritech $1	37	–¼	$3.16	–	5.0
23¼	12⅞	BankAmerica $1⅝	22⅛	–⅛	$1.20	–	3.2
29⅝	20⅞	Bankers N.Y. $1	23⅛	–⅛	$1.52	–	10.2
29⅝	24¼	Bell Atlantic $1	26⅝	+¼	$2.36	–	5.2
31¼	25	BellSouth Corp	28⅛	+⅜	$2.68	–	5.6
8⅞	6⅛	Bethlehem Steel $8	8¼	+¼	40c	–	2.7
1536p	1046p	Bowater Inc	1486p	+8	$1.20	–	4.8
8⅝	4½	Brunswick 75c	8⅜	+⅛	44c	–	3.1
51¼	37⅞	CPC Intnl. 25c	48⅝	+⅛	$2.00	–	2.4
852p	420p	California Engy	743p	.....	–		–
50	28¼	Campbell Soup 15c	45⅞	–1⅛	$1.16	–	1.5
11½	5⅞	Chase Manhattan $12½	10⅜	–⅛	$1.20	–	6.9
8⅞	5½	Chrysler $6¼	7⅞	–⅛	60c	–	4.8
9⅝	5⅞	Citicorp $1	9	–⅛	$1.00	–	6.6
48½	34⅞	Colgate-Palmolive $1	45½	–⅞	$2.12	–	2.8
830p	438p	Cont'l Bank Corp $4	794p	–18	$1.00	–	7.4
85p	45p	Corporate Data Sciences	85p	.....	–	–	–
19¼	13⅞	Dana Corp. $1	18½	–⅛	$1.60	–	5.1
1056p	203p	Data General	895p	–11	–	–	–
29	20¾	Dun & Bradstreet $1	27¼	.....	$2.16	–	4.7
35⅝	24¼	Eaton Corpn. 50c	32⅝	–⅛	$2.20	–	–
7½	5½	Echlin Inc	6¼	–¼	70c	–	6.1
17⅞	14⅞	FPL Group 1c	17⅛	.....	$2.36	–	7.9
28⅞	17⅞	Fluor Corp 62½pc	27⅞	–⅛	32c	–	0.7
19⅝	13¼	Ford Motor $1	18⅝	–⅛	$1.60	–	3.2
43⅞	28⅞	Gen. Elect. 63c	41¼	–1¼	$2.04	–	2.9
457p	270p	General Host Corp $1	455p	–2	34c	–	4.4
45¼	29⅝	Gillette $1	40⅞	+⅛	$1.24	–	1.8
91p	35p	Gt American Bank $1	43p	–1	–	–	–
20¾	12⅞	Greyhound Dial $1½	20½	–⅛	$1.32	–	4.0
17	794p	Hasbro Inc 50c	15½	–⅛	20c	–	0.8
36½	21¼	Honeywell $1½	34⅛	.....	$1.50	–	2.6
22⅞	17⅞	Houston Inds.	21⅛	.....	$2.96	–	8.2
72⅞	55⅞	IBM Corpn $1¼	61⅛	–⅛	$4.84	–	4.7
28⅞	18⅞	Ingersoll-Rand $2	26⅞	–½	$1.32	–	3.0
26¼	16⅛	Lockheed Crpn. $1	24⅛	–¼	$1.80	–	4.4
3¼	2¼	Lone Star Inds $1	2⅞	–¼	$1.90	–	–
24⅝	18⅛	Louisiana Land 15c	22⅛	–⅛	$1.00	–	2.7
2000p	1245p	Lowe's 50c	1833p	–29	52c	–	1.7
16⅝	9½	Manuf. Hanover $1	14⅛	+⅛	$3.28	–	13.7
24⅞	10⅞	Merrill Lynch $1	22	–½	$1.00	–	2.7
18⅞	11½	Molex Inc	15⅞	–⅛	4c	–	0.1
31⅞	21⅞	Morgan (JP) $2½	29⅛	–1⅛	$1.98	–	4.0
40⅞	25⅞	Morris (Philip)	39	–1⅛	$1.72	–	2.6
43¼	39	NYNEX $1	48⅝	+¼	$4.56	–	6.7
89p	42p	Pac. Agricultural	42p	.....	–	–	–
21⅞	11⅞	Pall Corp. 25c	18¼	+½	b44c	–	1.4
44¼	33¼	Pennzoil 83 1/3c	39⅝	–⅛	$3.00	–	4.5
34½	24⅞	Quaker Oats $5	33⅞	–⅛	$1.56	–	2.8
36⅞	24⅞	Rep NY Corpn $5	33⅞	–⅛	$1.40	–	2.4
16⅝	12¼	Rockwell Intl. $1	15⅞	+⅛	86c	–	3.5
23⅞	12⅞	Sears, Roebuck 75c	22⅛	–⅛	$2.00	–	5.3
32	25⅝	Southwestern Bell $1	29	+⅛	$2.84	–	5.8
20¼	14⅞	Sun Co. Inc. $1	17⅛	–⅛	$1.80	–	6.0
26⅞	21⅛	Tenneco $5	25⅛	–⅛	$3.20	–	7.1
40½	29⅛	Texaco $6.25	38⅛	–⅛	$3.20	–	4.9
26¼	17¼	Texas Instr. $1	23⅛	–⅛	72c	–	1.8
71½	41⅞	Time Warner $1	69⅞	–⅛	$1.00	–	0.8
14¼	8¾	TRINOVA Corp	13¼	+⅛	68c	–	3.0
19⅞	14⅛	USX $1	19⅞	.....	$1.40	–	4.3
390p	250p	Unilab	390p	.....	–	–	–
27½	22⅝	Utd. Technologies	26⅛	–⅛	$1.80	–	4.1
60p	42p	Utilitech Inc	60p	.....	–	–	–
23	18¼	US West	20¼	.....	$2.08	–	6.1
23⅝	16⅝	Waste Management $1	22⅞	+⅛	44c	–	1.1
1925p	1053p	Whirlpool $1	1811p	.....	$1.10	–	3.6
19¼	13½	Woolworth $3½	17¼	–⅛	$1.08	–	3.7

CANADIANS

High	Low	Stock	Price	+ or –	Div Gross	C'vr	Y'ld Gr's
10p	8½p	Abbot Energy Corp	10p	.....	–	–	–
1179p	953p	Amer. Barrick Res	1185p	+10	8c	–	0.4
19⅛	13	Bk. Montreal	19⅛	.....	$2.12	–	5.6
860p	536p	Bk. Nova Scot.	853p	–3	$1.00	–	6.0
747p	639p	BC Gas $1	747p	+2	60c	–	4.1
21⅞	17¼	BCE	21⅛	–⅛	$2.56	–	6.0
10	647p	Brascan	972p	+9	$1.04	–	5.5
36p	19½p	Breakwater Res	29p	–1	10c	–	17.6
1645p	1180p	Can. Imp Bank	1624p	+6	$1.32	–	4.1
10⅞	855p	Can. Pacific	10	–⅛	92c	–	4.7
36	30	Do. 4pc Deb £100	35	.....	Q4%	–	13.2
335p	170p	Central Cap 'A'	320p	–15	60c	–	9.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hire Purchase, Leasing, etc.

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BEERS, WINES & SPIRITS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING, TIMBER, ROADS – Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
128	57	Barratt Dev. 10p	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS, PLASTICS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DRAPERY AND STORES – Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICALS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICITY

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD, GROCERIES, ETC

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOTELS AND CATERERS

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDUSTRIALS (Miscel.) – Contd.

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

TRANSPORT—Contd

[illegible]

INVESTMENT TRUST

[illegible]

INVESTMENT TRUST—Contd

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares. γ Gamma refers to other traded instruments.

Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◊ Merger bid or reorganisation in progress
- ♠ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ▌ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990 L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

IRISH

[illegible]

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp.	31
BTR	33
Barclays	38
Blue Circle	24
Boots	30
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Comm Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	62
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	88
Ladbroke	22
Legal & Gen	36
Lex Service	28
Lloyds Bank	38
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
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This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 45p per minute peak and 34p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's

Manulife Management Ltd (1200)H

St George's Way, Stevenage Dealings:0438 356101

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	132.5	132.5	141.0	.....	4.08
Gilt & Fxd Int	5	142.5	142.5	149.9	.....	8.56
Intl Growth	5¼	149.0	150.4xd	160.0	.....	0.31
North American	5¼	93.96	95.88	102.0	.....	0.27
Far East	5¼	121.6	122.0	129.8	.....	0.15
UK Smaller Cos	5¼	109.0	114.1	121.4	.....	2.97
European	5¼	53.46	53.46	57.00	.....	1.18
Japanese Growth	5¼	38.94	38.94xd	41.58	.....	0.00
Managed P'folio	5¼	49.05	49.42	52.57	.....	1.59
High Income	5¼	150.3	152.0xd	161.7	.....	5.99
High Yielding Gilt	5¼	60.99	60.99xd	64.28	.....	10.09
Cash		50.55	50.55	50.55	.....	11.20

Geoffrey Morley Unit Mgrs Ltd (1200)F

3 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Unit Tst	4	117.70	117.70	125.51	-0.39	2.60
Exempt Smlr Cos	3½	234.30	234.30	253.96	-0.98	1.46

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 - 379 - 0444.

FT MANAGED FUNDS SERVICE

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Stewart Ivory Unit Tst Mgrs Ltd (1500)F

CBF-Charities Official Inv Fd

Edinburgh Fund Mngrs PLC

Albany Life Assurance Co Ltd – Contd.

Century Life Plc

Crusader Insurance Plc

Assicurazioni GENERALI SpA

Legal & General (Unit Pensions) Ltd

Merchant Investors Assurance Co Ltd – Contd.

INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

FT MANAGED FUNDS SERVICE

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N & P Life Assurance Ltd
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	104 7	110.2	-0.3	-
Pension Managed Fd	102 4	107 8	-0 2	-
Life Deposit Fd	106 6	112.2	....	-
Pension Deposit Fd	111.6	117 4	...	-

National Financial Management Corp PLC
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Managed Cautionary	109 7	120 7	-1	-
Managed Growth	136 5	150 2	-1 5	-
Managed Opportunity	138 1	152 2	-1.6	-
NFMC Target Financial	100 2	107 8	-1	-
Pension Funds				
Managed Cautionary	119 6	130 8	-0 6	-
Managed Growth	144	158 2	-1.4	-
Managed Opportunity	138.5	152 4	-1.4	-
NFMC Target Mngd Pen.	1484	1613.1	-5 3	-

National Mutual Life
The Priory, Priory Pk, Hitchin. SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	162 6	171 2	...	-
UK Equity	170.9	179 9	...	-
Overseas Equity	137 3	144.6	...	-
Fixed Interest	144.1	151.7	...	-
Property	129 6	136 5	...	-
Index Linked	148 1	155.9	...	-
Deposit	155 1	163.3	...	-
With Profits (B)	127 5	134.3	...	-

National Provident Institution
48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	350 5	369.0	-1.3	-
UK Equity	441 5	464 8	-1 8	-
Overseas Eq	347 6	365 9	-0 4	-
Americas	281 1	295 9	-4.2	-
Far East	376 9	396 8	-3 7	-
Property	193 8	204.1	-0 1	-
Fixed Int.	256 1	269.6	-0.9	-
Indexed Gilt	154 8	163 0	-0 2	-
Deposit	180.5	190 1	+0 1	-
Pension Fund (Accum Units)				
Managed	494.5	520.6	-1.9	-
UK Equity	580 8	611.4	-2.7	-
Overseas Eq	576 7	607 1	-2.2	-
Americas	366 6	385 9	-2.1	-
Far East	625 9	658 9	-6 0	-
Property	244 4	257.3	-0 2	-
Fixed Int.	314.2	330.8	-1.1	-
Indexed Gilt	170 5	179.5	-0.2	-
Deposit	252.4	265 7	+0 1	-
NPI Pensions Management Ltd				
Managed Fund	1092.2	1111.7	...	-

Prices May 1 Next dealing June 3

Norwich Union Asset Management Ltd
PO Box 140, Norwich NR3 1PP 0603 622200

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	71 4	75 2	-0.2	-
Stock Market Mngd Fund	70 2	73 9	-0.3	-
Equity Fund	78 1	82 2	-0.1	-
International Fund	63.5	66 9	-0.3	-
European Fund	64 9	68.3	....	-
North American Fund	71.7	75 5	-0 4	-
Pacific Fund	69.0	72.6	-0 4	-
Property Fund	82 5	86.9	....	-
Fixed Interest Fund	57.8	60.8	-0.2	-
Index linked Sec Fund	62.3	65 6	-0 1	-
Deposit Fund	69.3	73 0	+0.1	-
NUAM Retirement Plans				
Mixed Fund	78.2	82 3	-0 3	-
UK Ordinary Share Fd.	90.8	95.6	-0 3	-
International Fund	68 0	71.6	-0.3	-
Property Fund	82.5	86.8	...	-
Fixed Interest Fund	70 1	73 8	-0.3	-

Prosperity Life Assurance Ltd
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555

	Bid Price	Offer Price	+ or -	Yield Gross
Initial Equity	152 5	161 9	.....	-
Accum Equity	218 0	230 0	.	-
Accum Managed	225 5	237 5	.....	-
Accum Five Star	170 5	180 0	.	-
Accum World	122 5	129.5	-0.5	-
Accum Lifetime	111 8	111 8	-0 4	-
Pens Acc Equity	235 5	248 5		-
Pens Acc Managed	281 5	296.5	-1 0	-
Pens Acc Intl	210 0	221 5	..	-
Pens Acc Deposit	197 0	208 0	..	-
Pens Acc Five Star	187 0	197 5	.....	-

Providence Capitol Life Assc. Co Ltd
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc.	225 8	238.2	-1.5	-
UK Fixed Int Acc	171 2	180 6	+0 1	-
Intl Equities Acc.	179 0	188.9	-0 8	-
UK Managed Acc.	173 6	183.1	-1.0	-
Property Acc.	225 5	237.9	....	-
Money Acc.	128.4	135.5	+0 1	-
Special Market Acc	138 4	146 0	-2.6	-
Japan Equity Acc.	106 6	112.5	-0 6	-
North American Acc.	105.5	111.3	-0 7	-
Pacific Acc.	96 8	102.2	-0.7	-
Technology Acc.	124 1	131 0	-2.1	-
Nat Resources Acc	55 4	58 5	+0.3	-
European Acc.	102.2	107 9	+0.3	-
Residential Prop Acc.	96 2	101 5	....	-
Swiss Equities Acc.	36.0	38 0	+0 7	-
Hong Kong Acc.	64 2	67.8	-0 1	-
UK High Inc Eq Acc	74.3	78.4	-0.1	-
Int Fixed Interest Acc.	56 2	59.3	-0.1	-
Int Managed Acc.	57 1	60 2	-0 3	-
HIP Managed Acc	114 9	121 2	-0 8	-
HIP Managed II Acc.	99 7	105 1	-0.8	-
HIP Managed III Acc.	105 9	111 7	-0.7	-
Total Investment Bond				
UK Equity Initial		153 9	-1 0	-
UK Fixed Int Initial		116 8	..	-
Intl Equities Initial		121 3	-0 6	-
UK Managed Initial		118 6	-0 6	-
Property Initial		155 0	..	-
Money Initial		88.1	+0.1	-
Special Market Initial		107 7	-1.9	-
Japan Equity Initial		83 0	-0.5	-
North American Initial		82.0	-0 6	-
Pacific Initial		75.4	-0.5	-

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

FT MANAGED FUNDS SERVICE

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U.S. Treasury Securities Fund Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Short Term Shares	$760.52			
Fixed Income Shares	$809.45			

Yamaichi Capital Mangmt (Guernsey) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Japan Meta Growth	$10.78		-0.04	
Yamaichi ISS Fund	$8.01		-0.04	
Yamaichi GB Plus Fund	$8.42		-0.04	
Yamaichi Intl Inv Fund	$11.17			

IRELAND (SIB RECOGNISED)

CAIR Fund Management Ltd (a)
29 Kildare Street, Dublin 010 353 1760 630

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
CAIR Universal US Dlr Acc		$-	121.81			
CAIR Universal US Dlr Inc		$-	112.82			
CAIR Universal DM Acc		DM-	121.17			
CAIR Universal DM Inc		DM-	121.17			

MF Global Asset Mngmt Co Ltd "MF Trusts"

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
MF Global Dollar		$-	0.99	1.063		

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F
PO Box 63, Bond Street, St. Helier, Jersey 0534 76029

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stlg Fixed Int	5¼	£1.139	1.139	1.208		9.70
Sterling High Yield	3½	£1.432	1.457	1.496		12.98
Global Equity Fund	5½		14.55	15.56	+0.02	0.93
European Equity	5½		18.41xd	19.69	-0.07	0.09
UK Growth (C) Fund	5½	£4.646	4.712xd	5.040		2.76
Nth American Eqty	5½	$10.28	10.20	10.88	-0.01	0.31
Far Eastern Eqty	5½	$10.32	10.50	11.23		0.00
International Mngd	5½	$10.34	10.57	11.31		0.30

Intnl. Bond Fund

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sterling Managed	4½	£10.55	10.55	11.24	-0.01	9.68
US Dollar Managed	5½	$13.13	13.13	13.99	+0.04	6.21

International Currency Fund

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sterling Managed ‡	5½	£26.09	26.09	27.61	+0.01	
US Dollar Managed ‡	5½	$29.48	29.48	31.20	+0.01	
Sterling ● ‡	0	£24.87	24.87	24.87	+0.01	11.49
US Dollar ● ‡	0	$37.89	37.89	37.89	+0.01	4.80
Deutschmark ● ‡	0		59.83	59.83	+0.02	7.56
Japanese Yen ● ‡	0	Y4,837	4,837	4,837		6.23
Swiss Franc ● ‡	0		46.59	46.59	+0.01	6.90
Irish Punts ● ‡	0	I£22.11	22.11	22.11		6.46

INVESCO MIM International (Jersey) Ltd
PO Box 271, St Helier, Jersey 0534 73114

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Jersey Gilt (2)	5¼		0.1685	0.1775		9.30

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 0534 27561

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Lloyds Tst. Gilt	2½		9.375xd	9.620		11.25

Dealing daily

Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey 0534 606000

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Circuit Portfolio	6	101.75	101.75xd	107.90	+0.6	1.43
Gilt	3	91.91	91.91xd	94.77	+0.3	10.55

For MIM see INVESCO MIM

JERSEY (REGULATED)(**)

Schroder Worldwide Selection Fd Ltd

Equity Class Funds: American; Asian Smllr Mkts; European; Gold; Japanese; Pacific Basin; S'pore Indo Malaysian; Utd Kingdom; Worldwide; Worldwide Income; Worldwide Warrant

Managed Class Fund: Worldwide

Bond Class Funds: Ecu; Sterling; US Dollar; Worldwide

Scrimgeour Kemp-Gee

SKG Capital Fund; SKG Income Fund

TSB Trust Funds (CI)

TSB Jsy Equity Fd; TSB G'sey Equity Fd; TSB Island Pension; TSB Gilt Fd (Jsy) Ltd

Target Internat. Management

Ivory Growth Fund; Target Global Unit Tst; Target Gold Tst; Target IPSL; Earmarked Global Strtgy; Target LSM

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and sterling weaker

THE DOLLAR ended on a weak note in Europe yesterday, despite stronger than expected US retail sales. These fell 0.1 per cent in April, against forecasts of a 0.4 per cent drop, but the main point of note was a revised increase of 0.4 per cent in March sales from a fall of 0.8 per cent.

The revised March figure confirmed an upturn in consumer demand after the Gulf war, and although this gave the dollar a temporary boost it fell back as US Treasury bonds and equity prices fell on Wall Street.

A rise of 0.2 per cent in April US consumer prices was in line with forecasts, leaving the year-on-year inflation rate unchanged at 4.9 per cent, and having little impact on the dollar.

At the London close the dollar had fallen to DM1.7015 from DM1.7140; to Y138.20 from Y139.40; to SFr1.4320 from SFr1.4430; and to FFr5.7625 from FFr5.8050. On Bank of England figures the dollar's index declined to 65.8 from 66.2.

Apart from US economic data the main factor influencing the foreign exchanges was speculation that Mr Karl Otto Pöhl will announce his resignation as president of the German Bundesbank after tomorrow's council meeting.

A Bundesbank spokesman had no comment to make on the rumour, but speculation remained strong following suggestions in two German newspapers that Mr Pöhl is about to resign for personal reasons.

Nevertheless the D-Mark held reasonably firm, around the middle of the European exchange rate mechanism. It rose to FFr3.3874 from FFr3.3861 at the Paris fixing and was steady at L741.94 at the Milan fixing.

The D-Mark lost a little ground to the Japanese yen, falling to Y81.20 from Y81.35, but remained above the Y81.00 level on continued speculation that the Bank of Japan will cut its discount rate in the near future.

Sterling stayed the third strongest member of the ERM, behind the top placed Spanish peseta and the Italian lira. The lira showed little reaction to a cut in the Bank of Italy's discount rate last weekend.

Despite its relatively steady performance in the ERM the pound was weaker against major currencies apart from the dollar. It rose 65 points to $1.7385, but fell to DM2.9575 from DM2.9675; to FFr10.0175 from FFr10.0550; to SFr2.4900 from SFr2.5000; and to Y240.25 from Y241.50. Sterling's index closed unchanged at 91.8.

Trading was nervous, ahead of tomorrow's UK by-election in Monmouth. This is regarded as an important test of government popularity after a bad result at recent local elections. If the ruling Conservative party loses it may rule out a general election in June, but will reduce political risk as far as sterling is concerned.

Stronger than expected UK producer output prices in April dampened hopes of lower interest rates and provided support for the pound.

£ IN NEW YORK

May.14	Latest	Previous Close
£ Spot	1.7410-1.7420	1.7335-1.7345
1 month	0.91-0.89pm	0.93-0.91pm
3 months	2.35-2.32pm	2.29-2.26pm
12 months	7.05-6.95pm	6.85-6.75pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY MOVEMENTS

[illegible]

CURRENCY RATES

[illegible]

OTHER CURRENCIES

May 14	£	$
[illegible]		
Iran	116.00*	67.00*
Korea(Sth)	1250.70 - 1270.85	724.60 - 730.40
Kuwait	N/A	N/A
Luxembourg	60.90 - 61.00	35.00 - 35.10
Malaysia	4.7665 - 4.7760	2.7580 - 2.7600
Mexico	5158.55 - 5178.80	2987.00 - 2997.00
N.Zealand	2.9390 - 2.9440	1.7000 - 1.7030
Saudi Ar.	6.4650 - 6.5195	3.7490 - 3.7510
Singapore	3.0575 - 3.0656	1.7690 - 1.7710
S.Af (Cm)	4.8115 - 4.8245	2.7890 - 2.7910
S.Af (Fn)	5.5815 - 5.6730	3.2625 - 3.3165
Taiwan	47.20 - 47.30	27.30 - 27.35
U.A.E.	6.3295 - 6.3845	3.6720 - 3.6740

* Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu May 14	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	127.349	-4.70	6.17	82
Italian Lira	1538.24	1528.05	-0.66	1.85	40
Sterling	0.696904	0.694303	-0.37	1.56	6
Belgian Franc	42.4032	42.3399	-0.15	1.33	14
Dutch Guilder	2.31643	2.32038	0.17	1.01	-1
D-Mark	2.05586	2.05985	0.19	0.98	-3
Irish Punt	0.767417	0.768928	0.20	0.98	-2
Danish Krone	7.84195	7.87135	0.37	0.80	-10
French Franc	6.89509	6.97642	1.18	0.00	-57

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu: a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

May 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7210 - 1.7415	1.7380 - 1.7390	0.90-0.88cpm	6.14	2.34-2.31pm	5.35
Canada	1.9835 - 2.0025	1.9980 - 1.9990	0.54-0.45cpm	2.97	1.29-1.16pm	2.45
Netherlands	3.3275 - 3.3445	3.3275 - 3.3375	[illegible]	2.93	[illegible]	2.25
Belgium	60.55 - 61.20	60.90 - 61.00	18-14cpm	3.15	36-31pm	2.20
[illegible]						

Commercial rates taken towards the end of London trading.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

May.14	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.739	2.958	240.3	10.02	2.490	3.333	2191	1.999	60.95	1.437
$	0.575	1	1.701	138.2	5.762	1.432	1.917	1260	1.150	35.05	0.826
DM	0.338	0.588	1	81.24	3.387	0.842	1.127	740.7	0.676	20.61	0.486
YEN	4.161	7.237	12.31	1000.	41.70	10.36	13.87	9118	8.319	253.6	5.980
F Fr.	0.998	1.736	2.952	239.8	10.	2.485	3.326	2187	1.995	60.83	1.434
S Fr.	0.402	0.698	1.188	96.51	4.024	1	1.339	879.9	0.803	24.48	0.577
H Fl.	0.300	0.522	0.887	72.10	3.006	0.747	1	657.4	0.600	18.29	0.431
Lira	0.456	0.794	1.350	109.7	4.573	1.136	1.521	1000.	0.912	27.82	0.656
C$	0.500	0.870	1.480	120.2	5.013	1.246	1.667	1096	1	30.49	0.719
B Fr.	1.641	2.853	4.853	394.3	16.44	4.085	5.468	3595	3.280	100.	2.358
ECU	0.696	1.210	2.058	167.2	6.973	1.733	2.319	1525	1.391	42.41	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

MONEY MARKETS

A firmer tone

INTEREST RATES edged higher in London yesterday, as the market reacted nervously to conflicting inflationary and political pressures.

Fears that Friday's figures will show underlying inflation is not falling as sharply as the headline year-on-year retail price index have set back hopes of lower bank base rates.

The Bank of England has warned against lower rates, though its operations on the money market, but a recent opinion poll points towards a by-election loss for the ruling UK Conservative party at Monmouth tomorrow, prompting suggestions that rates will be cut in an attempt to restore the government's popularity.

UK clearing bank base lending rate 12 per cent from April 12, 1991

Three-month sterling interbank was quoted at 11⅝-11½ per cent, against 11$\frac{11}{16}$-11½ on Monday, with 12-month money at 11¼-11⅛, compared with 11⅛-11 per cent.

Prices of short sterling futures weakened on Liffe. June delivery opened unchanged at the day's high of 88.81 and closed at 88.77.

The Bank of England initially forecast a day-to-day credit shortage of £700m on the cash market, but revised this to £750m at noon. Total assistance of £586m was provided.

Before lunch the authorities bought £207m bills outright, by way of £13m bank bills in band 1 at 11⅞ per cent; £53m Treasury bills in band 2 at 11$\frac{13}{16}$ per cent; and £141m bank bills at 11$\frac{13}{16}$-11$\frac{25}{32}$ per cent.

In the afternoon another £64m bank bills were purchased in band 1 at 11⅞ per cent. Late assistance of around £315m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £623m, with exchequer transactions absorbing £195m. These outweighed a fall in the note circulation adding £70m to liquidity and bank balances above target of £30m.

In Frankfurt call money was steady at 8.85 per cent, as banks waited for the result of the Bundesbank's two-tranche securities repurchase agreement tender.

The central bank offered funds for 35 days at an unchanged fixed rate of 8.60 per cent and 63-day money at variable bid rates, to offset expiring facilities totalling DM25.8bn.

In Amsterdam the Dutch Central Bank left its special advances rate at 8.70 per cent, when offering six-day advances.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

NEW YORK

[illegible]

LONDON MONEY RATES

[illegible]

BASE LENDING RATES

[illegible]

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,543 Set by DINMUTZ

ACROSS

1 One stands in case there is street obstacle roundabout (9)
6 After city's first half, endless degeneracy around the borough (5)
9 Swaggering lad can make a dollar ring (5)
10 Teller doing well with a new set of books? (9)
11 Former whereabouts of public show ... (10)
12 .... entrance to mine is partly traditional (4)
14 Light fitter less energetic after midnight (7)
15 Land in Manchester rain-belt (7)
17 The case for the comprehensives? (7)
19 Giving tail to injured mice is common in certain area (7)
20 Lincoln died – in his sleep? (4)
22 Spain is set to revive bug-killing (10)
25 I repel – not prepared to gatecrash (9)
26 College window (5)
27 Yarn of two cities, in the abridged form (5)
28 Note member with nice turn-out, suitable for the box (9)

DOWN

1 The good book that was once wicked and unrighteous (5)
2 Alpine jewel-factory (4-5)
3 Forgers, perhaps, sporting mini-shorts (10)
4 Feeble chirping of one who taunts (7)
5 In respect of petty cash, remove from bank (7)
6 Eccentric queen, for example (4)
7 Morsel of food found in divan (5)
8 Torpidly rigid. Tom needs a pick-me-up (9)
13 Earliest rock music? (6-4)
14 Carrying-time, for example, going the wrong way to Victoria? (9)
16 Entrance, these days, is by embassy (9)
18 Band on square in Rugby? (4-3)
19 Living above ground – le plage, surprisingly (7)
21 Praise for ox, let loose (5)
23 Kind of law that does not have girl in charge, paradoxically (5)
24 Naval lady-architect (4)

Solution to Puzzle No.7,542

CHOOSE ASTEROID / STEPUP REGULATE / OUTSHINE ESKIMO / SURE BAREFOOTED / COWPUNCHER SAND / RAPPED WATERSKI / SEAFARER IGNITE / MISHMASH STREWN

WORLD STOCK MARKETS

[illegible]

CANADA

TORONTO

3:00 pm prices May 14

Quotations in cents unless marked $

[illegible]

MONTREAL

3:00 pm prices May 14

[illegible]

Sales	Stock	High	Low	Close	Chng
100	MacleanHnt	$10⅝	10⅝	10⅝	
6200	Memotec	$9¼	9	8	+⅛
3900	NatBk Can	$10¾	10⅝	10¾	
5100	Provigo	$11⅞	11	11⅛	+⅛
200	Quebecor A	$18¼	18¼	18¼	
4700	Videotron	$13⅝	13⅜	13⅜	−⅛

Total Sales 9,627,700 shares

INDICES

NEW YORK

[illegible]

STANDARD AND POOR'S

[illegible]

NEW YORK ACTIVE STOCKS / TRADING ACTIVITY

[illegible]

CANADA TORONTO

[illegible]

	May 14	May 13	May 10	May 9	1991 HIGH	1991 LOW
AUSTRALIA All Ordinaries (1/1/80)	[illegible]	[illegible]	[illegible]	1546.3	1558.3 (29/4)	1204.5 (16/1)
All Mining (1/1/80)	[illegible]	[illegible]	[illegible]	669.1	680.1 (29/4)	561.6 (16/1)
AUSTRIA Credit Aktien (30/12/84)	[illegible]	[illegible]	[illegible]	(c)	534.81 (16/4)	398.84 (15/1)
BELGIUM BEL20 (1/1/91)	[illegible]	[illegible]	[illegible]	(c)	1212.15 (17/4)	917.59 (17/1)
DENMARK Copenhagen SE (3/1/83)	[illegible]	[illegible]	[illegible]	(c)	354.26 (4/4)	302.26 (8/1)
FINLAND HEX General (28/12/90)	[illegible]	[illegible]	[illegible]	1089.6	1186.9 (8/4)	898.5 (23/1)
FRANCE CAC General (31/12/87)	[illegible]	[illegible]	[illegible]	(c)	493.78 (9/4)	394.88 (15/1)
CAC 40 (31/12/87)	[illegible]	[illegible]	[illegible]	(c)	1851.89 (3/4)	1425.26 (15/1)
GERMANY FAZ Aktien (31/12/58)	[illegible]	[illegible]	[illegible]	(c)	691.29 (3/5)	570.48 (15/1)
Commerzbank (1/12/53)	[illegible]	[illegible]	[illegible]	(c)	1963.3 (3/5)	1612.5 (15/1)
DAX (30/12/87)	1598.50	1610.98	1620.63	(c)	1631.84 (3/5)	1311.82 (16/1)
HONG KONG Hang Seng Bank (31/7/64)	3785.14	3767.63	3758.20	3744.46	3869.70 (3/4)	2984.01 (16/1)
IRELAND ISEQ Overall (4/1/88)	1427.19	1430.12	1450.59	1458.36	1520.65 (15/3)	1114.86 (25/1)
ITALY Banca Comm. Ital. (1972)	584.42	581.24	577.38	574.38	602.64 (19/4)	486.26 (29/1)
JAPAN Nikkei (16/5/49)	26030.08	26093.20	26274.29	26438.50	27146.91 (18/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1973.06	1977.78	1991.15	1989.85	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	3367.55	3400.13	3423.45	3407.94	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA KLSE Composite (4/4/86)	587.12	584.99	587.38	584.96	605.85 (11/3)	470.41 (16/1)
NETHERLANDS CBS Ttl.Rtn.Gen.(End 1983)	274.8	277.2	280.1	(c)	280.1 (10/5)	221.4 (16/1)
CBS All Shr (End 1983)	199.0	200.7	202.8	(c)	202.8 (10/5)	162.3 (16/1)
NORWAY Oslo SE (Ind) (2/1/83)	776.60	790.41	784.86	(c)	790.41 (13/5)	610.45 (21/1)
PHILIPPINES Manila Comp (2/1/85)	1125.86	1109.41	1117.44	1118.50	1154.73 (8/4)	582.64 (18/1)
SINGAPORE SES All-Singapore (2/4/75)	411.56	410.47	413.82	412.28	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA JSE Gold (28/9/78)	1094.06	1058.0	1060.0	(c)	1367.0 (14/1)	971.0 (25/2)
JSE Industrial (28/9/78)	3470.04	3456.0	3468.0	(c)	3559.0 (26/4)	2829.0 (16/1)
SOUTH KOREA** Korea Comp Ex. (4/1/80)	638.61	630.84	629.83	634.72	697.62 (4/1)	614.60 (16/1)
SPAIN Madrid SE (30/12/85)	286.85	285.22	282.55	279.55	289.22 (18/3)	213.70 (14/1)
SWEDEN Affarsvarlden Gen. (1/2/37)	1035.3	1037.5	1043.9	(c)	1119.0 (18/3)	808.4 (8/1)
SWITZERLAND Swiss Bank Ind. (31/12/58)	734.0	734.4	737.5	(c)	743.0 (3/4)	590.4 (14/1)
SBC General (1/4/87)	615.3	615.7	618.3	(c)	625.1 (9/4)	487.1 (14/1)
TAIWAN** Weighted Price (30/6/66)	6125.79	6102.09	6301.89	6305.22	6305.22 (9/5)	3316.26 (16/1)
THAILAND Bangkok SET (30/4/75)	833.79	828.16	845.88	853.99	908.13 (19/4)	582.48 (16/1)
WORLD M.S. Capital Intl.(1/1/70) (a)	505.8*	508.0	510.7	511.7	529.2 (17/4)	439.1 (16/1)

**Saturday May 11: Taiwan Weighted Price: 6208.48. Korea Comp Ex. 629.17.
(a) Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all Indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday 14 May 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Heavy	9.9m	781	-12	Citizen Watch	3.4m	1,160	+5
Joyo Bank	6.7m	1,720	+80	Tokyu	3.2m	1,800	-10
Kawasaki Heavy	5.9m	592	-13	Mitsubishi Estate	3.1m	1,710	+10
Suzuki Motor	4.1m	715	-6	Marubeni	3.0m	608	-4
Taiyo Sanso	4.0m	1,180	+70	Nippon Steel	3.0m	470	-2

3:15 pm prices May 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

1991 High	1991 Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	Bay Finl			0	14	[illegible]	[illegible]	[illegible]	
20¾	18⅞	Bay St Gas x	1.34	0.07	12	24	20⅛	20⅛	20¼	+⅛
22	20⅝	Bd Tr 1838				6	21¼	21	21	−⅛
15¾	8.95	Bear Stms x	0.57	0.04	12	1099	14⅝	14¼	14¼	−⅜
38	35½	BearStPIA	3.48	0.10		10	u38	38	38	−2
22⅛	16¼	Bearings x	0.64	0.03	27	50	21½	21½	21½	+¼
13¾	6½	Beazer ADR				261213	12¼	12⅛	12¼	−½
19½	13⅞	Beckman In	0.28	0.01	14	729	19	18⅝	18⅞	−¼
81½	65⅝	Becton Dks	1.16	0.02	15	433	77¾	75¾	75¾	−2⅛
22½	16⅝	Belding Hv	0.64	0.03	46	3	18⅞	18⅞	18⅝	
54	40¼	Bell Atlan	2.52	0.06	13	4169	48⅛	45½	45¾	−½
13⅝	9⅞	Bell Indus	0.40	0.04	10	11	11¼	11⅛	11¼	
55	47½	BellSouth	2.76	0.06	14	2639	48⅝	47⅞	48¼	−⅝

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
200	188¾	Rockwl1.35				z100	u200	200	180	−20
29¼	22¾	Rockwl x	0.96	0.03	10	1168	26⅝	26¼	26¼	−½
5½	3⅝	Rodn&Ren			129	16	3⅞	3⅞	3⅞	
46⅞	32¼	Rohm&Haas x	1.24	0.03	12	347	37⅞	37	37	−½
23	14⅞	Rohr Inds			18	774	22⅞	22	22⅞	+⅛
12⅞	8½	RollinsEnv x	0.09	0.01	25	861	11⅞	11⅝	11⅝	−¼
26	19⅝	RollinsInc x	0.60	0.02	19	86	23⅝	22⅞	23	−½
11½	7¼	RollinsTrL x	0.20	0.02	10	116	10⅝	10⅜	10½	−¼
11⅞	8¼	Rowan Cos				1581799	10	9⅞	9⅞	−⅛
24⅞	22¼	RoyBkScot	1.20	0.05		95	24⅝	24½	24½	−¼
84¾	73¼	RylDutch				104727	82¼	81⅝	81¾	−1¼
11	7½	Royce Val				29	10⅛	10	10	−⅛
54	37	Rubbermaid x	0.60	0.01	26	914	49⅞	49½	49½	−⅜
17½	13⅞	RuseBerrie	0.60	0.04	12	57	14¾	14⅝	14⅝	
7½	4	Russ Togs			1	63	4½	4½	4½	
26⅞	19⅞	Russell Cp x	0.32	0.01	16	348	22⅞	22¼	22¼	−⅛
19⅞	14	Ryder Sys	0.60	0.03	22	924	16⅝	15⅝	15⅝	−½
29¾	13⅜	Ryland Grp	0.60	0.03	32	30	22⅛	21½	21⅝	−½

- X - Y - Z -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60¼	35¼	Xerox	3.00	0.05		93233	55½	54⅝	54⅝	−1⅛
49⅞	43¼	Xerox4.125				z100	u49⅝	49⅞	49	−⅞
21¼	14⅛	Xtra 1.94 x				335	19⅛	19	19	−⅛
24⅞	14¼	Xtra Corp x	0.72	0.04	10	300	20½	19⅝	19¾	−1
1½	⅝	Zapata			0	876	1	1	1	
9⅞	6⅛	ZenithElec			2	187	6¾	6½	6½	−¼
18¼	12	Zenith Nat	1.00	0.08	72	24	17	17	17⅜	
6	4½	Zenix Inc	0.87	0.15		35	5⅞	5¾	5⅞	
15¼	10⅞	Zero Corp x	0.72	0.05	15	61	14⅝	14½	14½	−⅛
41⅜	29½	Zurn Ind	0.88	0.02	14	107	35⅞	35⅝	35⅝	−⅛
13½	10¼	Zweig Fund				179	12½	12⅜	12⅜	
9⅞	8½	Zweig Tot x				384	u9⅞	9¾	9¾	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full

AMEX COMPOSITE PRICES

3:00 pm prices May 14

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pall Corp	0.44	34	984	32¼	30⅞	31	−1½
Pegasus G		7	183	11⅛	11	11⅛	
Perini		11	6	14¼	14⅛	14⅛	−⅛
Pet HMP x	0.31	12	10	10½	10½	10½	+⅛
Phil LD	0.16	8	562	19⅝	19½	19½	

NASDAQ NATIONAL MARKET

3:00 pm prices May 14

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		32	1579	23	22¼	22¾	−¼
XL Data		9	469	6¾	6¼	6⅜	−¼
Xoma Corp		14	1846	28½	27	27½	−1
YankeeEnS	1.52	17	208	u23¾	22	23	
Yellow Fr x	0.94	14	574	30½	29⅞	29⅞	−½
York Rsch		18	603	20½	19	19⅛	−⅝
ZionsUtah	1.44	9	47	43½	42¾	43	−¼

FINANCIAL TIMES Wednesday May 15 1991

AMERICA

Falling bond prices again pull Dow lower

Wall Street

A SHARP fall in bond prices and computer sell programs left share prices notably weaker yesterday morning in the wake of some mixed economic news, *writes Patrick Harverson in New York.*

By 1.30pm the Dow Jones Industrial Average was down 31.75 at 2,892.67, near its lows for the session. The other key indices were also weaker, with the more broadly based Standard & Poor's 500 down 4.62 at 372.14 at 1pm, and the Nasdaq composite of over-the-counter stocks down 4.95 at 488.98. Turnover on the New York SE was 100m shares by 1pm.

Yesterday was a repeat of last Friday, when a sharp fall in bond prices spurred a similarly sharp drop in equity values. The two markets have remained unsettled since then, the bond market by the excess supply still to be distributed in the wake of the $37bn Treasury refunding auction, the stock market by continued concern about the absence of a meaningful economic recovery.

The economic news released yesterday provided little in the way of fresh evidence of the state of the economy, although the large upward revision in March retail sales to show an increase of 0.8 per cent on the month came as a surprise.

Motor stocks were in the limelight. Ford eased $⅜ to $32¼ after reporting an 11 per cent decline in the sales of its US-made cars during early May.

General Motors, which has revealed plans to sell 16m convertible shares to bolster cash reserves, also eased, dropping $⅜ to $36⅝. The GM stock sale – its first in over four years – is unusual in that the company will save money on the convertibles if the price of its common stock rises, but lose out if the common stock price falls.

Chrysler, the last of the big three auto makers, was $⅛ lower at $12⅝.

Exxon fell $1 to $56⅞ on the news that Exxon dealers have launched a class action law suit against the company alleging that it broke a pricing agreement, and that its handling of the 1989 Exxon Valdez oil spill disaster in Alaska had harmed the dealers' businesses.

The most actively traded stock of the day was a newcomer to the market. Telefonos Mexico, the giant Mexican telephone company, made its debut. With strong interest in the stock, the price held steady at $27⅝ on turnover of 14m shares.

American Express, which fell sharply on Monday, rallied with a rise of $⅛ to $23¼ on turnover of 1.9m shares.

Canada

TORONTO stocks fell across the board in midday trade after a sharp upward revision in US March retail sales sent US Treasuries about one point lower. Twelve of the 14 indices fell, with golds and merchandising the only gainers. The composite index lost 20.7 to 3,472.0. Declines led advances by 275 to 152 on volume of 13.2m shares.

Alcan led the mines and metals index lower as the stock fell C$⅛ to C$23 on heavy volume of 998,000 shares.

Federal Industries class A shares slid C$1⅛ to C$6⅞ on volume of 62,200 shares. Analysts came away from Monday's meeting with the company thinking that Federal had many problems to solve, and fearing that it would not be able to sell some of its assets at its asking price.

Manila regains composure after April jitters

Greg Hutchinson reviews the best performing stock market in Asia so far this year

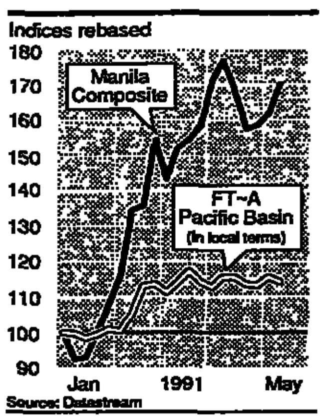
MANILA, the best performing Asian market this year, has recovered from its April jitters.

A compromise agreement on US military bases in the Philippines due to be signed later this month, Wall Street's performance and an expansion programme announced by Philippines Long Distance Telephone (PLDT) have helped the market regain its composure.

An early end to the Gulf war *shook Manila out of its doldrums* in the new year. The composite index set a 1991 high of 1,154.73 on April 3, as optimism about the economy grew after the International Monetary Fund (IMF) and the government agreed on a stabilisation programme, and foreign loans resumed.

On April 10, however, the next trading day, the index dropped 7.5 per cent to 1,067.68, when the Philippines' third most senior general strongly criticised the appointment of Mr Lisandro Abadia as chief of staff, and bombs went off at several banks in Manila. The composite index fell 11.4 per cent between April 8 and April 23. It has since recovered most of the ground, rising 16.45 yesterday to 1,125.86, a gain of 73 per cent so far this year.

Another reason for the market's uncertainty in April was a power struggle at San Miguel, the country's largest industrial concern, between the government and Mr Eduardo Cojuangco, the company's former chairman and a friend of the late President Ferdinand Marcos. Mr Cojuangco's shares in San Miguel, amounting to 19 per cent of the issued stock, had been sequestered by the government on suspicion that they were part of the wealth alleged to have been stolen by Marcos. In April, however, Mr Cojuangco won a ruling from the Supreme Court which gave him the right to be represented on the board of San Miguel. The decision is currently under appeal.



Source: Datastream

San Miguel's "B" shares fell 16.4 per cent from 70 pesos on April 8 to 58.5 pesos on April 22, standing at 60.5 this week.

Mr Francisco Libaro, investment manager at Morgan Grenfell (Philippines), believes that Manila can maintain its position as the best performing market in the region, in spite of significant public offerings being made in the second half.

Ayala Land and Meralco are each expected to raise 2.5bn pesos ($90m). Other planned offerings include Philippine First National Bank and National Steel Corporation, as well as possibly Union Bank, Philippine Airlines and Manila Hotel.

Foreign fund managers, who had their fingers burnt by the December 1989 coup attempt, are trickling back. Their presence will be essential to ensure that the new issues are fully taken up. However, foreigners will only return in force when the government comes to grips with the following issues: an infrastructure programme to rebuild roads, telephone and power installations; getting inflation down; reducing the budget, trade and Oil Price Stabilisation Fund deficits; and liberalising foreign investment laws.

Inflation – currently at 18 per cent – is the main worry, as the government will have difficulty in meeting an IMF annualised target of less than 10 per cent by the end of the year. The presidential, national and local elections next year – and the $400m of campaign money – are unlikely to help.

The market currently gives reasonable value, says Mr David Bates of Asia Equity in London. Price/earnings ratios are at an average 12.4 times prospective 1991 earnings, compared with a 1990 p/e of 15.9. PLDT and Philippines National Bank – two of the biggest capitalised stocks – are on p/e ratios of 6.5 and 6.7.

Nevertheless, the Philippines' position as the top performing Asia Pacific market of 1991 is by no means certain. "There is still a lot of consolidating to do after the meteoric rise in the first quarter," says Mr Bates. "Hong Kong is likely to overshadow Manila, now that its new airport and China's most favoured nation [trading status with the US] are both racing certainties."

EUROPE

Resignation talk weighs on France and Germany

RESIGNATION rumours depressed France and Germany yesterday, while there were fears that Generali's rights issue, announced after hours, could weaken Italy today, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - May 14

Hourly changes							
Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1125.77	1124.63	1123.23	1122.72	1122.12	1120.78	1118.57	1118.47

Day's High 1126.05 Day's Low 1115.28

May 13	May 10	May 9	May 8	May 7
1125.32	1130.52	1125.62‡	1119.87	1125.75

Base value 1000 (26/10/90) ‡ Indicative.

PARIS lost 1.6 per cent in moderate trading on rumours that Prime Minister Michel Rocard was about to resign. The CAC 40 index fell 28.88 to 1,805.57, but ended above the day's low of 1,799.00. Most blue chips, especially the financials, were weak.

Sanofi dropped FFr39 or 4.5 per cent to FFr833 and Rhône-Poulenc's certificates lost FFr16.50 or 4.4 per cent to FFr362 on fears of changes to tax rules for French pharmaceutical companies. A newspaper report suggested that a 2.5 per cent tax on turnover could be imposed to reduce state health spending.

In the financial sector, Société Générale lost FFr20.50 to FFr429 and Paribas shed FFr11.50 to FFr461.50.

Nouvelles Galeries, which is being bought in by majority shareholder Galeries Lafayette, was suspended indefinitely, after trading was halted on April 26.

FRANKFURT retreated further in low volume and a number of speculative or special interest situations seemed to lose their appeal. Continental, the tyremaker, was the extreme case, falling DM14 to a 1991 low of DM183.

Conti forecast lower profits and said that the dividend was under threat. Later, the market heard that Daimler planned to sell the 2 per cent Conti stake it bought earlier this year. Daimler was part of a German support group, including Volkswagen and BMW, formed to help ward off the merger plans of Italy's Pirelli Spa.

After a 7.37 fall to 677.30 in the FAZ index at midsession, the DAX broke down through 1,600 to close 12.40 lower at 1,598.50. Turnover rose from DM3bn to DM4.1bn but sentiment was still subdued on economic fears and resignation rumours about Mr Karl Otto Pöhl, Bundesbank president.

Other big fallers included Porsche, down DM30 at DM875, Degussa, off DM6.50 at DM343, and Metallgesellschaft, DM12 lower at DM519.50 in a continued response to a disappointing progress report. Nixdorf fell DM7 to DM253 on profit-taking after a DM20 rise in the previous two days.

MILAN rose again in the wake of the weekend cut in interest rates. After the close, Generali announced a L1.76 trillion rights issue, raising fears that the market would be drained of much-needed liquidity. The Comit index rose 3.18 to 584.42 in volume thought to be near Monday's L140bn.

Generali closed L20 up at L36,700 ahead of news of its cash call, falling to L35,700 in London trading. The insurer also reported a 10 per cent drop in 1990 net profit, a L160 cash dividend and a stock dividend of one Alleanza savings share for every 250 Generali shares.

Analysts said Generali's cash call had revived old rumours that it could bid for Guardian Royal Exchange, the UK composite. Alternatively, it could increase its holding in Italy's Fondiaria, take a stake in Fiat's Toro or make a US acquisition together with Axa-Midi, its French ally.

MADRID was enlivened by company news, after news of an April inflation figure in line with expectations. Turnover shot up to about Pta34bn from Pta14.2bn, as 2.91m shares were traded in Banesto. The general index rose 1.23 to 286.45.

Banesto's shares jumped Pta265 or 7 per cent to Pta4,065 after a block of 2.5m shares was traded at Pta3,800 each. Market supervisors reported that Asland, the cement group, had sold its stake to a foreign institution.

Trading in Banco Hispano Americano and Banco Central was suspended at Monday's closing prices of Pta3,275 and Pta4,670, before news that the two banks proposed to merge. The terms were said to favour Hispano shareholders.

In the utilities sector, Fecsa rose Pta15 to Pta771 on heavy volume of 1.28m shares, following its first-quarter results.

ZURICH concentrated on individual issues as the Credit Suisse index eased 1.5 to 540.5. Brown Boveri bearers rose SFr40 to SFr4,420 after the Swedish/Swiss engineering combine, ABB Asea Brown Boveri, said first quarter profits were up 7 per cent.

Schindler, the elevator group, came under pressure on a 10 per cent drop in profits, the bearers falling SFr120 to SFr5,680. Zurich Insurance bearers rose SFr60 to SFr4,690, heralding higher profits and dividend after the close.

AMSTERDAM fluctuated for most of the session before closing lower on a weak Wall Street opening. Investors were sidelined before the first-quarter results of Royal Dutch and Unilever this week. The CBS tendency index eased 0.2 to 94.2.

Nedlloyd rose 80 cents to Fl 50.10 after Mr Torstein Hagen, a major shareholder, said he would join with other shareholders to try to block the 1990 accounts of the loss-making shipping and transport group.

STOCKHOLM was initially lifted by first-quarter earnings results from Astra, announced late on Monday, although the market slipped back later. Astra free B shares added SKr21 to SKr596. Volume improved to SKr440m – of which Astra accounted for SKr210m – from SKr315m. The Affärsvärlden General index declined 2.2 to 1,035.3.

Procordia's free Bs rose SKr9 to SKr171 after the food and health care group reported a rise in first-quarter profits at the high end of expectations.

OSLO fell on profit-taking. The all-share index lost 8.01 or 1.5 per cent to 513.45 in turnover of NKr439m.

SOUTH AFRICA

THE RECENT decline in the financial rand enabled Johannesburg stocks to close higher yesterday after a quiet opening. Gold shares also benefited from a firm bullion price; the all-gold index gained 36 or 3.4 per cent to 1,094.

ASIA PACIFIC

Nikkei suffers third successive decline

Tokyo

ARBITRAGE buying sustained share prices yesterday morning, but they fell later on continued lack of investor interest and the Nikkei average declined for the third consecutive day, *writes Emiko Terazono in Tokyo.*

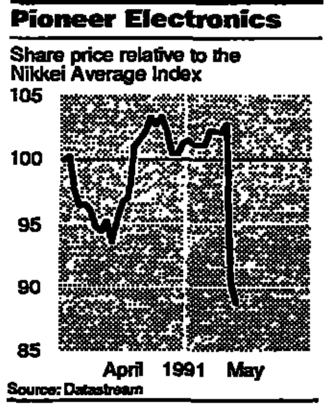
The index closed down 63.12 at 26,030.08, the day's low, after attaining the day's high of 26,293.46 in the morning. Investors failed to react to lower short-term interest rates. The unsecured overnight call rate, which reflects the Bank of Japan's monetary policy, fell below 8 per cent for the first time in three months.

Activity remained subdued, volume totalling 270m shares against Monday's very thin 230m. Declines led rises by 427 to 412 and 221 issues were unchanged. The Topix index of all first section stocks firmed a marginal 0.86 to 1,978.64, and in London the ISE/Nikkei 50 index eased 1.60 to 1,463.11.

Traders said institutions were using arbitrage trading in an attempt to keep the Nikkei above 26,000. Mr Munenori Wakita, strategist at Merrill Lynch, said institutions feared that a heavy sell-off would push the index below 25,000.

The electrical sector continued to lose ground on the poor business outlook for Pioneer Electronic announced at the weekend. Pioneer, which dropped Y630 on Monday, ended Y90 lower at Y4,280.

Pioneer Electronics



Source: Datastream

TDK fell Y200 to Y5,320 on reports of lower than expected earnings projections.

Banks were stronger on foreign buying. Mitsubishi Bank gained Y50 to Y2,800. Regional banks also advanced. Toho Bank climbing Y100 to Y960.

Tokyo Sanso, an industrial gas maker, rose Y70 to Y1,180 on reports that it had developed a device to clean semiconductor chips with ice grains instead of water; in addition to microchips, the device could be used in the production of liquid crystal displays and lighting equipment.

Investors sought issues with strong earnings forecasts. Suzuki Motor added Y38 at Y716 on reports of a projected 83 per cent rise in pre-tax profits in the year ended in March. Akasaka Diesels, a diesel engine manufacturer, moved ahead Y100 to Y1,070 on an upward revision of pre-tax profits to a rise of 27 per cent.

Hitachi Cable rose initially on its expectations of 20 per cent higher pre-tax profits for the current year, but receded on profit-taking to end unchanged on the day at Y1,140. The company is also expected to benefit from Japan Railway's (JR) capital investment. Nippon Densetsu Kogyo, a rail and signal installations concern also recommended by Japanese brokerages on the "JR theme", added Y110 at Y2,060 on individual buying.

Ikegami Tsushinki, a broadcasting equipment maker, rose Y80 to Y1,640 on rumours that it had received orders from a national television station for its television camcorders.

In Osaka, the OSE average slipped 183.44 to 28,879.43 on volume of 24.7m shares. Small and medium-capital shares were bought, but the weakness in the electrical sector dampened overall sentiment. Nintendo, the video game maker, shed Y400 to Y15,300 and Murata lost Y50 to Y2,650.

Roundup

THE REGION reversed Monday's pattern, with most markets a little better in spite of another decline in Tokyo.

NEW ZEALAND took its largest tumble for 1991, the Barclays index *falling* 40.91 to 1,497.30; with Monday's decline of 35.53, this makes a 4.9 per cent drop over two days.

Turnover more than halved, from NZ$27.8m to NZ$13.4m. The slide, once again, was blamed on Fletcher Challenge, which said last Friday that it was placing 75m shares with institutions. Fletcher weakened 12 cents to NZ$3.78 yesterday, against a placing price of NZ$3.90; it has lost 9.6 per cent in a week.

HONG KONG closed firmer, but off the day's highs, on continued optimism about the new airport project. After opening easier, the Hang Seng index climbed to 3,797 before ending 17.51 up at 3,785.14, its best close in five weeks. Turnover increased to HK$1.23bn from HK$1.06bn.

SEOUL advanced on reports that the government was considering a reduction in domestic oil prices. The composite index rose 7.77 to 638.61 in turnover of Won115.1bn.

SINGAPORE was quiet, but the Straits Times Industrial index added 7.76 at 1,525.15 in volume of S$88.8m, against S$65.7m. In KUALA LUMPUR, the composite index firmed 2.13 to 587.12 and 32.6m shares changed hands, after Monday's 25.4m. BANGKOK rallied after recent weakness. The SET index moved up 5.63 to 833.79 in light trade of 3.05bn baht.

AUSTRALIA's All Ordinaries index eased 4.2 to 1,518.9 as turnover fell from A$270m to A$176m ahead of today's March quarter inflation report. JAKARTA saw profit-taking and the index dipped 2.0 to 404.93. Volume was down slightly to 3.23m shares from 3.48m.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY MAY 13 1991								FRIDAY MAY 10 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (74)	143.74	−2.2	123.04	126.66	128.09	122.75	−1.7	5.61	147.03	126.81	128.95	131.80	124.88	147.30	112.74	136.20
Austria (19)	200.82	+1.2	171.90	176.96	178.96	179.77	+0.5	1.47	198.46	171.17	174.07	178.04	178.82	222.37	167.00	257.79
Belgium (60)	136.68	+0.7	116.98	120.41	121.78	119.47	+0.3	4.96	135.74	117.07	119.04	121.77	119.17	151.20	121.73	152.12
Canada (117)	138.29	+0.1	118.37	121.85	123.22	115.16	+0.0	3.48	138.09	119.10	121.10	123.87	115.19	141.10	126.49	136.61
Denmark (31)	237.76	+0.3	203.52	209.51	211.87	212.78	−0.2	1.58	237.02	204.42	207.88	212.62	213.24	270.56	217.74	249.67
Finland (21)	115.28	+0.7	98.68	101.59	102.73	97.37	+0.2	2.49	114.50	98.75	100.43	102.72	97.14	125.15	90.81	136.28
France (112)	138.86	+0.0	118.87	122.35	123.73	126.45	−0.6	3.46	138.88	119.78	121.79	124.57	127.22	152.26	121.85	167.19
Germany (88)	110.43	−0.1	94.53	97.32	98.40	98.40	−0.7	2.30	110.51	95.32	96.94	99.14	99.14	125.35	102.43	133.90
Hong Kong (47)	154.93	+0.7	132.62	136.52	138.07	154.97	+0.6	4.41	153.92	132.75	134.99	138.06	153.99	156.75	119.62	123.68
Ireland (17)	156.25	−1.0	133.75	137.69	139.24	141.18	−1.5	3.98	157.90	136.18	138.48	141.64	143.40	182.46	132.88	181.05
Italy (91)	77.99	+1.4	66.76	68.72	69.50	74.03	+0.9	3.27	76.93	66.35	67.47	69.01	73.39	88.23	72.05	103.21
Japan (452)	137.94	−1.2	118.08	121.55	122.94	121.55	−0.7	0.71	139.56	120.37	122.40	125.22	122.40	146.97	118.35	151.75
Malaysia (33)	229.54	−0.4	196.49	202.25	204.54	243.91	−0.4	3.11	230.45	198.76	202.11	206.73	244.87	247.78	192.83	224.46
Mexico (12)	963.40	−0.8	824.67	848.92	858.49	3151.58	−0.8	0.22	971.14	837.58	851.75	871.20	3176.89	971.14	534.45	452.13
Netherland (40)	141.25	−0.3	120.91	124.47	125.87	124.43	−1.1	4.19	141.67	122.19	124.26	127.10	125.77	145.73	125.70	142.03
New Zealand (14)	52.72	−3.2	45.13	46.45	46.98	47.59	−2.9	7.38	54.44	46.96	47.75	48.84	49.02	54.64	41.18	62.80
Norway (30)	208.80	+1.3	178.73	183.99	186.07	189.74	+0.8	1.59	206.06	177.72	180.73	184.86	188.30	223.24	182.24	245.41
Singapore (25)	200.23	−0.7	171.39	176.44	178.42	163.32	−0.7	2.05	201.70	173.96	176.91	180.94	164.52	208.25	151.63	199.67
South Africa (60)	206.88	−0.1	177.09	182.29	184.34	147.30	−0.4	3.82	207.01	178.54	181.56	185.70	147.88	208.97	173.00	192.42
Spain (41)	160.90	+0.9	137.73	141.78	143.38	129.45	+0.2	4.37	159.42	137.50	139.83	143.02	129.17	171.12	131.51	163.50
Sweden (27)	177.36	+0.3	151.82	156.29	158.05	161.74	+0.0	2.70	176.78	152.47	155.05	158.59	161.80	204.12	146.60	203.91
Switzerland (65)	93.54	+0.6	80.07	82.43	83.36	83.68	−0.5	2.42	93.02	80.23	81.59	83.46	84.06	100.67	82.17	101.40
United Kingdom (295)	172.84	−0.7	148.03	152.37	154.09	148.03	−1.4	4.80	174.10	150.15	152.68	156.16	150.15	187.44	156.27	150.39
USA (524)	152.59	+0.3	130.62	134.46	135.96	152.59	+0.3	3.21	152.17	131.24	133.47	136.51	152.17	158.24	125.95	143.28
Europe (937)	139.70	−0.1	119.59	123.10	124.50	122.18	−0.8	3.87	139.90	120.66	122.70	125.51	123.21	151.52	125.50	144.27
Nordic (109)	178.06	+0.5	152.42	156.91	158.67	154.71	+0.0	2.09	177.23	152.85	155.44	158.99	154.70	200.81	155.55	199.24
Pacific Basin (645)	138.41	−1.2	118.48	121.96	123.34	122.33	−0.7	1.05	140.03	120.77	122.82	125.62	123.20	145.92	117.86	150.12
Euro−Pacific (1582)	139.28	−0.7	119.23	122.72	124.11	123.15	−0.8	2.22	140.32	121.02	123.06	125.87	124.09	147.66	121.29	148.14
North America (641)	151.62	+0.3	129.79	133.62	135.14	150.07	+0.3	3.22	151.21	130.42	132.64	135.67	149.68	157.04	125.91	142.78
Europe Ex. UK (642)	119.50	+0.3	102.29	105.32	106.51	107.04	−0.4	3.15	119.17	102.78	104.54	106.93	107.46	129.80	106.85	138.54
Pacific Ex. Japan (193)	142.84	−1.1	122.28	125.89	127.30	127.39	−0.8	4.87	144.43	124.57	126.69	129.58	128.45	144.43	111.40	129.99
World Ex. US (1771)	140.40	−0.7	120.18	123.73	125.12	123.80	−0.7	2.27	141.39	121.95	124.02	126.85	124.72	148.16	122.32	148.36
World Ex. UK (2000)	140.59	−0.3	120.34	123.89	125.29	131.20	−0.2	2.34	141.02	121.63	123.70	126.52	131.52	145.77	120.06	144.97
World Ex. So. Af. (2235)	143.07	−0.4	122.47	126.08	127.50	132.76	−0.4	2.60	143.57	123.83	125.93	128.81	133.25	148.66	122.92	145.15
World Ex. Japan (1843)	147.73	+0.1	126.46	130.19	131.67	138.84	−0.2	3.53	147.66	127.35	129.52	132.48	139.13	152.83	126.69	143.60
The World Index (2295)	143.45	−0.3	122.80	126.41	127.84	132.87	−0.4	2.61	143.96	124.16	126.26	129.15	133.36	149.01	123.28	145.43

Constituent changes with effect 15/5/91: Deletion: Adelaide Steamship (Australia), David Jones (Australia), Manpower (U.K.) and Square D (U.S.).
Latest prices were unavailable for this edition.